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WORKFARE VERSUS WELFARE

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE, PRODUCTIVITY, AND ECONOMIC GROWTH

OF THE

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NINETY-NINTH CONGRESS

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CONTENTS

WITNESSES AND STATEMENTS

WEDNESDAY, APRIL 23, 1986

	Page
Lungren, Hon. Daniel E., vice chairman of the Subcommittee on Trade, Productivity, and Economic Growth: Opening statement	1
Sklar, Morton H., former director, Jobs Watch	2
Mead, Lawrence M., associate professor, Department of Politics, New York University	36
Gallaway, Lowell, professor, Department of Economics, Ohio University	50
Blum, Barbara B., president, Manpower Demonstration Research Corp	71
Swoap, David B., partner, Franchetti & Swoap, San Francisco, CA, and Washington, DC	86

SUBMISSIONS FOR THE RECORD

WEDNESDAY, APRIL 23, 1986

Blum, Barbara B.: Prepared statement	74
Gallaway, Lowell:	
Articles entitled:	
"Disincentive Effects and Welfare: A Summary"	53
"Chipping Away at ET's Image"	67
"Duped by Dukakis?"	69
Mead, Lawrence M.: Prepared statement	40
Sklar, Morton H.: Prepared statement, together with attachments	8
Swoap, David B.: Prepared statement	91

APPENDIX

Shumway, Hon. Norman D., a U.S. Representative in Congress from the 14th Congressional District of the State of California: Statement of	113

WORKFARE VERSUS WELFARE

WEDNESDAY, APRIL 23, 1986

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON TRADE,
PRODUCTIVITY, AND ECONOMIC GROWTH
OF THE JOINT ECONOMIC COMMITTEE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2359, Rayburn House Office Building, Hon. Daniel E. Lungren (vice chairman of the subcommittee) presiding.

Present: Representative Lungren.

Also present: Chris Frenze, professional staff member.

OPENING STATEMENT OF REPRESENTATIVE LUNGREN, VICE CHAIRMAN

Representative LUNGREN. Good morning. I am sorry we are starting this a little late. I anticipated a vote as soon as we went in, and so as soon as I start talking I'm sure we are going to have a vote, at which time I will have to run over there and come right back.

It gives me great pleasure to welcome the distinguished panel that we have before us today. The topic of this morning's hearing, workfare, will become increasingly important in light of the President's call for welfare reform.

There is a growing perception that at least some elements of the current welfare system produce counterproductive results. The persistence of poverty, and particularly child poverty, is especially discouraging. This situation is not viewed with satisfaction by anyone across the political spectrum or in either party. Hence the call for new approaches to combat poverty.

One key ingredient in any effort to reduce poverty is a commitment to strong economic growth. If the economy is in decline, the most enlightened public policy will be unable to reduce poverty. Support for growth-oriented economic policy should be the foundation of any of our antipoverty efforts. Stronger economic growth results in more job creation, less unemployment, and fewer social problems.

However, we must acknowledge that even under the most robust economic conditions there will be those who lack enough skills, incentives, or education to join the work force. There is a broad consensus that Americans down on their luck should receive some kind of governmental assistance. The appropriate form this assistance should take is a matter of much debate. It has been a matter of much debate and it is probably going to be the matter of much more vigorous debate in the immediate future. Recent scholarship

suggests that some elements of current policy have not, to say the least, been helpful.

The 1981 reconciliation bill permitted States to set up mandatory workfare programs for AFDC clients. The relevant provisions established the Community Work Experience Program. Until 1981, only experimental workfare was allowed. Other provisions loosened restrictions on the use of Federal funds for workfare programs and allowed the States more flexibility in designing such programs to suit their needs.

While I am strongly supportive of the idea of workfare, I don't think that it's going to solve all of our problems. Workfare obviously is not a panacea but merely one ingredient of welfare reform. In the future perhaps this committee will address other options suggested to reform welfare policy.

This morning it is my pleasure to welcome a panel of distinguished experts in this area: Mr. Lowell Gallaway, the Department of Economics of Ohio University; Mr. Larry Mead, the Department of Politics, New York University; Ms. Barbara Blum, the president of Manpower Demonstration Research Corp.; Mr. Morton Sklar, Garrett Park, MD, who has been involved in this area for some time and has very strong views on the subject; and Mr. David Swoap of Franchetti & Swoap of San Francisco.

I will just go from my right to my left and ask you each to make an opening statement. I believe all of you have already given us prepared statements. Those statements will be made a part of the record, and I would ask you to proceed for between 5 and 10 minutes to make an opening statement and then I will have questions of the panel. And if I direct it to any one member, I would invite other members of the panel to give us their views as well.

I hope that we might be able to get some debate here today. I am not asking for everybody to agree. I hope you don't all agree on every aspect. I would certainly want to have an exchange of ideas for the time permitted.

I'm sorry. I have to go vote. It will take me about 5 to 7 minutes to get over there, and as soon as I get back we will start.

[A short recess was taken at this point.]

Representative LUNGREN. I ask Mr. Morton Sklar to start off. He is the former director of Jobs Watch.

STATEMENT OF MORTON H. SKLAR, FORMER DIRECTOR, JOBS WATCH

Mr. SKLAR. Congressman Lungren and members of the subcommittee my name is Morton Sklar. I am former director of Jobs Watch, which is a public interest project that is affiliated with the Center for National Policy Review and Catholic University Law School.

Perhaps of most interest to this subcommittee, I have been working since 1978, when Jobs Watch began, very directly with a large number of community based organizations, welfare rights groups, and State and local government officials in jurisdictions where a great many of the important workfare experiments have been taking place, and also in those jurisdictions where a good number of the job training programs that are most innovative have been

taking place as well. Most recently, that includes California, where the GAIN program has just been implemented; New York State, where Governor Cuomo is proposing a statewide workfare program; and in Virginia, where I have been doing an evaluation of the Job Training Partnership Act.

Also of particular interest to this hearing, I served as counsel in two major lawsuits that involved workfare programs, one of which, the *Milwakee County* case, produced by the finding by the U.S. Court of Appeals in the Seventh Circuit that illegal displacement of civil service workers was taking place as a result of the workfare program in that county.

As you can see, I have a rather extensive prepared statement that I submitted to you earlier, and rather than read it word for word, what I would like to do is focus on the key points and try to bring out to you what I think are the major elements that need to be emphasized here.

The bottom line that I think we all have to reach in considering the adoption of a Federal welfare-to-work policy, and the key issue, is what really is going to work in terms of helping welfare recipients get off the welfare rolls and become more employable and thereby reduce the welfare rolls.

My experience in all of the jurisdictions where I have been makes it very clear that workfare will not be the way to accomplish that purpose. Nor will any other similar kind of effort that is oriented toward being punitive or discouraging participation in the welfare program.

What amazes me and what I think is a great error, even in looking at the title of these hearings, is that workfare is put against welfare as being the major alternative that people are considering. If I leave you with one thought, I hope it is that workfare should not be the sole alternative to the current welfare system, because it is not an effective one.

The Federal Government should be considering many other kinds of alternative approaches to the welfare-to-work needs other than workfare, especially in view of the fact that many of the States around the country have recognized that necessity and have begun to move in that direction, away from workfare and toward more progressive systems of legitimate training activities.

The key point in discussing and evaluating the situation of workfare that needs to be made, and it is true about job training in general, is that you get out what you put in. Workfare and other very low cost interventions that are aimed primarily at discouraging people from continuing to participate really do nothing to change the circumstances of the recipients that led them to a situation where they had to be participating in welfare in the first place.

Workfare cannot be anything more than a short-term, temporary solution to the problem of welfare dependency. I think the evaluations of the States that have been made, which I will be talking about, show very clearly that workfare doesn't end up being anything more than a more costly, rather than a helpful, approach. The great bulk of welfare recipients—I'm talking about the long-term welfare recipients now, not the ones that are able to come off the welfare rolls as a matter of course because they have some skills—are left exactly where they were after workfare.

A second major message that I would like to leave with you is the fact that there are some extremely effective alternatives to the workfare system.

I am glad that Barbara Blum is here from MDRC, because MDRC has been a lead agent in helping to get some of those alternatives off the ground. I want specifically to talk about a couple of them, including the supported work program, which I think is the most effective model that I have seen; aspects of the California GAIN Program and the Massachusetts CHOICES Program; and the various youth demonstration programs that are going on right now. The youth programs are important because people talk a lot about the fact that welfare dependency moves from generation to generation, and we have to give some thought to what we can do about unemployed youth, dropout youth, and pregnant and teen parents.

It is these examples, I think, that point the way toward the more effective approach that the Federal Government and Congress should be taking in policy development. We have to make an investment in human resources rather than deal with just the stopgap solution of workfare. Supported work is one of the best examples of how that could work effectively.

I will say one thing about supported work just as a lead-in to why I think workfare does not work well by comparison.

Supported work took welfare recipients that on the average were on the welfare rolls for 8 years, long-term welfare recipients exactly the group that we are trying to deal with, and it provided them with intensive training for 9 to 10 months, with extensive supportive services, at a cost of approximately $6,000 to $8,000 per participant, which was a little bit more than 1 year of welfare benefits for many of those people.

At the end of the first couple of months of participation in that program, 90 percent of these long-term welfare mothers were working in unsubsidized jobs, and up to a year later 75 percent of those participants were working in unsubsidized jobs. Compare that with a rate of something like 25 percent for a control group, those that would have gone back to work in any case from the welfare rolls, and you see what seems like a substantial investment in the first place is really a pretty small one because of the savings that are involved.

Let me talk more specifically about the workfare program since you did ask us to give special attention to that, and to the question of what its problems and benefits were. Let me talk about why workfare does not work.

I think it is rather amusing in a certain way that we sit before Congress in 1986 when back in 1978 Congress considered the CETA Program and decided to eliminate the public service jobs portion of CETA because in Congress' view it was ineffective. Workfare is a varient of public service jobs with one important difference: it is nowhere near as good because it is not a job; it is a working off of benefits.

If Congress in its wisdom decided that temporary jobs in the public sector, which is what PSE was all about, was not desirable,

how could it now be going back and saying it is for welfare recipients desirable in the form of workfare, when it is not even a job, and when it does not have the status of employment that PSE had. When you are dealing with participants who are far worse off—remember we are talking about long-term welfare mothers predominantly—than the people who were temporarily unemployed in many instances under PSE with CETA, it makes the return to favor of public sector work placements even less understandable.

A second reason why workfare is not effective is seen by the various State evaluations that have been done. There have been a number of State self-evaluations that have been conducted.

The three most recent that I have seen, which I have attached to my testimony, were from Florida, Georgia, and Connecticut. In each instance those States—and I think this is typical of every State evaluation and every independent evaluation that I've ever seen—comes to the conclusion that workfare costs anywhere from 2 to 1 to 5 to 1 more than it saves in terms of reduced welfare costs.

The one exception to that is the MDRC studies, and Barbara is here and will be talking about that. But as she very appropriately points out in her testimony, the programs that they found to be more effective were not straight workfare program, No. 1. No. 2, in the case of San Diego, which was one of the important models that they used, the recipients there were much better off, were a small segment of the welfare population, and were in better shape in terms of being on the rolls a lesser period of time than is typically the case. So they were dealing with better prepared, more work-ready people.

No. 3, they were dealing with just a small segment of the welfare population. When we are talking about welfare reform here, we are talking about a much larger application of standards and requirements to the recipients, and MDRC was very careful in saying that it would not necessarily prove true that the savings that they experienced in their demo sites would apply if you applied them with a much larger case load. They were very careful about that, and I am sure Barbara will be saying that same thing.

A third major problem area with workfare is the issue of displacement. I mentioned that I was a counsel in the major case where the U.S. Seventh Circuit Court of Appeals found displacement to have taken place in the Milwaukee County Workfare Program. That was not an atypical situation. We have seen displacement as a common problem in many of the States' workfare programs.

I was fortunate enough to debate David Swoap, who is also on this panel, on the "Today Show" recently, and did a similar program with Joanne Ross even more recently on the "Nightwatch" show, and both of those people pointed out, as many of the proponents of workfare do, that the workfare programs contain a prohibition against displacement. And so, they say, we don't really have to worry about this; we understand it's a problem; we have language in the statute that will take care of it; you can only show one or two cases that have gone to court where displacement has been proved.

Yet the reality is that it is much more typical than that. It is very hard to bring a workfare displacement case. As counsel for the plaintiffs in that case, I can tell you how difficult it was, because the jurisdictions just claim that budget problems cause them to lay off people, not the workfare program, and it is a very hard factual problem to deal with. It's like the old voter discrimination cases in the South that we dealt with when I was with the Civil Rights Division at the Justice Department. It was a massive effort, and it was necessary for the Federal Government to step in to handle those cases because the individual complainants, the people who had been denied the right to vote, could not handle it; it was too difficult to prove. And that's the situation with displacement as well.

That was the finding of the seventh circuit.

There was a similar case in Lackawanna, NY, where sanitation workers were laid off, went on the welfare rolls, and a month or two later found themselves on the street, in the same garbage trucks, doing the same work that they were doing as employees, but now doing it as workfare participants.

What direction is suggested, then, in terms of where Federal policy can move?

Representative LUNGREN. I don't want to interrupt you, but if you could wrap up in about 1 minute.

Mr. SKLAR. I will.

I know that the next question has to be where the money for the more substantial programs comes from. I want to suggest four sources.

One is JTPA. I think JTPA has not been an effective tool in terms of serving the hardest to serve population. It has been extensively shown to have been creaming, taking the easiest to serve. The amount of funds that JTPA has available, the emphasis on fast placements and on performance standards means that they can only take the people that are most job ready. I would rather see that JTPA money be taken and allocated and targeted specifically for the hardcore, longer term welfare population.

The unemployment insurance program is the second source I would suggest. A lot of people are talking about reforming that program in Congress now. I would like to see part of that reform include a training component. Similar to the guarantee of support for people who are unemployed, there should be guaranteed training if they need it, and most important, it should include long-term jobless people who have not had an opportunity, like the welfare mothers, to participate in the past in UI and contribute. They should be able to obtain training and thereby become employed and contribute to UI as future employees.

State funding is the third source. The States that have done the best job: Massachusetts and California—in its child care provisions—have added funds substantial of their own to their welfare-to-work programs, and that is an essential component.

Finally, the recipients themselves are a source of funding. Let's not forget that once they become employed they become taxpayers and they are in effect self-contributing to the system.

I hope that we can move the debate away from the workfare context and into some of the more desirable program elements that I have touched on, and that some of the other States have been using in the recent months.

Thank you very much for the opportunity to participate.

[The prepared statement of Mr. Sklar, together with attachments, follows:]

PREPARED STATEMENT OF MORTON H. SKLAR

Members of the Committee:

My name is Morton Sklar. Since 1978 I have served as Legal Counsel, and Director, of Jobs Watch, a public interest project providing information, clearinghouse, and support services on a variety of issues related to unemployment, with a special emphasis on job training and welfare to work activities. While at Jobs Watch I prepared and published in 1983 the first national survey examining how extensively and in what form the states and localities were attaching workfare requirements to the receipt of welfare benefits. I served as legal counsel on two major lawsuits involving workfare, one of which, the Milwaukee County case, produced a finding by the U.S. Seventh Circuit of Appeals that a workfare program had unlawfully displaced regular civil service workers, and had failed to provide workfare participants with a fair and reasonable wage for the work they were required to perform.

Since Jobs Watch lost its funding in August of 1985, I have been continuing to work, on an independent basis, directly with a number of communities involved with the adoption and/or implementation of workfare programs, including California, where the statewide Greater Avenues for Independence (GAIN) program was recently adopted, and New York, where a statewide workfare requirement has been proposed and is now before the legislature. I also have been conducting a statewide evaluation of job training programs generally in the state of Virginia, with the final report due out in June.

Because of the recommendations that I am about to make in this testimony, it is important to stress that the analytical and on-site field work that forms the basis for my assessment is not

restricted to workfare. It has covered a broad variety of program policies and initiatives designed to assist welfare recipients and others dealing with longer-term joblessness become gainfully employed.

With this broader perspective in mind, one of the most important suggestions that I can make, and the one overriding thought that I would hope this testimony leaves you with, is that the debate over federal welfare-to-work policy should not be put in terms of "Workfare Versus Welfare," as these hearings have (inappropriately, I think) been titled. I would hope, when the Congress completes its examination of recent experiences with workfare, and has had a chance to review several other welfare to work policy options that have proven far more effective, that they will see that the choice does not boil down to workfare on one hand, or welfare dependency on the other. There are several viable policy and program alternatives that are far more effectively geared to improving the job holding potential of welfare recipients than workfare.

It would be self-defeating, unduly expensive and contradictory to the lessons we have learned about job training in the past few years for Congress to in any way encourage or facilitate the adoption of workfare by states and localities. The goal of Congressional policy and action on the welfare to work issue would be more profitably directed towards encouraging job training approaches that experience has shown to be more effectively directed towards reducing welfare dependency and improving the job holding ability of recipients.

1. What Workfare Is and Isn't

To understand why my principal recommendation is to support policy options other than workfare it is important to see what workfare is (and seeks to do), and what its virtues and deficiencies are in comparison with alternative approaches.

In essence, workfare is similar to the public service jobs type of approach that Congress became disenchanted with in the old Comprehensive Employment and Training Act (CETA) program, and deleted under the current Job Training Partnership Act (JTPA) system. But workfare is far less than CETA's public service employment (PSE) effort, since PSE represented paid, full-time (though temporary) jobs with all of the status and benefits of regular civil service employment. Workfare assignments tend to be in lesser skilled positions, and more sporadic in nature than PSE, since the tasks and hours assigned vary for each participant. How can it be that the more legitimate type of work and on-the-job training experiences of PSE are seen as totally discredited by Congress on the one hand, while the much less substantial public service assignments of workfare are now being considered a viable training approach for welfare recipients?

The other aspect of what workfare is and is not that must be borne in mind is that it is not a training program. With an expenditure of less than $600 on average per participant, it is not really intended to deal, nor can it deal, with any of the job skill or academic deficiencies that force people to be on welfare instead of in the labor market. To that extent, workfare seems primarily

designed to serve as a penalty or discouragement to the receipt of assistance benefits rather than a way to promote eligibility.

Much has been made of the fact that a goodly proportion of workfare participants report (in the recent Manpower Demonstration Research Corp. survey and elsewhere) a generally positive feeling about their experience. This has more to do with the strong motivation for, and interest in work that the vast majority of welfare recipients already have, than the ability of workfare to stimulate a work ethic.

The assumption that the only thing that keeps welfare recipients on the rolls is a lack of motivation to work is a gross misconception. Half of recipients (and an even higher proportion of the employable recipients that workfare would apply to) find jobs and leave welfare in their own right after a relatively brief stay in the program. The remainder of employable recipients, who make up only approximately 7% of all those receiving welfare, remain in the program for longer than two year stints. But this is the group that is least likely to benefit from workfare, or be motivated by the experience, since they face the types of more serious academic and skill deficiencies that are not affected or improved by short-term work assignments.

2. Workfare Does Not Save Money

Another misconception about what workfare is and is not that needs to be addressed is the widespread assumption that the program saves money. Recent experiences with workfare in state after state prove the contrary -- that in fact the program costs substantially

more than it saves through reduced welfare payments.

State agency audits found:

-- in Georgia, that "savings from non-participation and employment" were exceeded by nearly 5 to 1 (copy attached to testimony).

-- In Florida, that "from the government/taxpayer's perspective, for every dollar spent, only 16 cents was returned, a net loss of 84 cents." (copy attached)

-- in Connecticut, that "the program produced direct costs to the state of $6,884,625 . . . and a savings of $1,871,216" for a greater than 3 to 1 cost over savings ratio (copy attached).

These findings are typical of the independent and government sponsored evaluations of workfare. The promise that proponents of workfare hold out for easy savings through reduced welfare rolls does not generally pan out in practice. This is partly because of the relatively high costs of administering the program, and in part because workfare does not result in long-lasting job placements -- only temporary benefit terminations, or the revolving door of welfare to dead-end job and back to welfare again.

The one study that seems to hold more of a promise for some beneficial effects from workfare is the evaluation conducted by the Manpower Demonstration Research Corporation (MDRC), some of whose initial results were recently summarized in a report written by MDRC's vice-president Judith Gueron. MDRC took an in-depth look at demonstration welfare to work programs in several states, including Arkansas, California, Maryland, Virginia, and West Virginia.

MDRC reported employment gains among participants in two of the more effective programs (San Diego and Baltimore) of from 3 to 8

percentage points relative to other welfare recipients, and a favorable benefits over costs result of from $100 to $2,000 per participant over a five year period. These results seem at variance with my earlier conclusion of workfare being a costly and ineffective program. But MDRC pointed to some important provisos in making their findings. One was that the Baltimore and San Diego programs in particular were not straight workfare. In Baltimore's program, especially, a wide mix of remediation and training activities was added to the workfare component. So it would not be fair to characterize MDRC's favorable findings as applying to workfare in general.

Along the same lines, the MDRC demonstrations were of limited scope in terms of the number of participants. They cautioned readers that it would be unfair and inaccurate to assume that every jurisdiction that attempted a workfare program for larger segments of the welfare population would obtain similar results. MDRC warned that their findings "should not be used to draw conclusions about the quality of programs -- or the reactions of welfare recipients -- if workfare-type requirements are implemented on a larger scale, are differently designed, or are of longer duration."

Further evidence of the desirability of treating MDRC's findings with caution is the fact that in the program that MDRC viewed as producing the most effective results -- San Diego's -- earlier findings suggested that cost benefits and employment gains were attributable mostly to other aspects of the San Diego program than workfare.

In sum, it is unlikely that the positive gains that MDRC identified in its best demonstration programs can be duplicated on much larger scale operations, especially when implemented by jurisdictions that do not offer the additional funding and program support elements that were featured in its model experiments. More telling in the debate over the value of straight workfare programs are the preponderantly negative results achieved by every other state where the approach was attempted and evaluated.

3. Workfare Threatens Existing Civil Service Jobs

One of the aspects of the workfare debate that has always irritated, and amused me at the same time, is the claim of supporters of the program that it does not feature make-work assignments, but rather provides valuable work experiences that benefit participant and society alike. What is troubling about this claim is that if it is true then almost by definition we are talking about workfare recipients performing -- for the equivalent of the minimum wage -- the very same tasks that would otherwise be performed by civil service employees at higher wage rates. What this means is that we would be replacing salaried workers with unsalaried workfare recipients.

This perhaps would produce some savings to the government, but it would strike at the heart of the notion that workfare is designed to promote employment and the work ethic. Instead, to the extent that this type of worker displacement occurs, workfare would cause or promote continued unemployment, and undercut the principle of pay being commensurate with the work performed and prevailing wage rates.

And in fact, we have very concrete evidence that this is exactly what is occurring under workfare. Last August, the U.S. Seventh Circuit Court of Appeals, in the Milwaukee County case, issued the nation's first court finding that a workfare program was illegally displacing civil service personnel, and had failed to pay workfare participants the full and fair value of their work by not meeting prevailing wage requirements. In Lackawana, New York, a similar case has been filed because several city sanitation workers were laid off, and then found themselves assigned to do the very same work as workfare participants, at a lower rate of pay.

Proponents of workfare are fond of claiming that the displacement of workers really is not a problem because there is language in most workfare program statutes prohibiting this result. But the existence of statutory standards does not mean that the prohibited conduct is not taking place, especially when the burden of monitoring the problem and bringing the complicated litigation falls to welfare recipients, and when the temptation for governments to cut corners and costs by using a cheaper workforce is so great. As the attorney who handled the successful Milwaukee County case, I can tell you first hand that even when there is an obvious situation of illegal displacement taking place, it is a difficult matter to prove because the government will always claim that budgetary limits rather than the easy availability of workfare labor was the reason for layoffs in civil service personnel.

The statutory prohibition against displacement, however well drafted, is a difficult tool to use. The only real protection

against the practice is to deny the use of, or strictly limit the amount of workfare, because displacement, or the refusal to rehire previously laid off personnel, is almost an inevitable consequence of making a low paid alternative workforce available to government agencies.

If you take a look at a recent report issued by the American Federation of State, County and Municipal Employees Union in New York State (attached), you will see why displacement is almost an inevitable companion of workfare. Their survey of workfare assignments in the state found participants performing virtually the same tasks as regular employees, with exactly the same job titles, except that the word "assistant" was added. The Milwaukee County and Lackawana cases are not aberations. (N.Y. report attached).

4. Recent Lessons From Experience

It is because of the problems and limits of workfare that states and local jurisdictions have begun to move away from the straight workfare model, and to favor a wider and more effective mix of program approaches. California, Massachusetts and New York are probably the best cases in point. This summer the California legislature rejected their governor's proposed workfare package, substituting what they call GAIN, the Greater Avenues for Independence program. GAIN includes workfare assignments (called pre-employment preparation) as part of a much broader system of more legitimate training activities, but the California Department of Social Services estimated in their legislative material that no more than 15% of participants in GAIN would be assigned to workfare.

Instead, recognizing that the underlying problem relates to academic and job skill deficiencies, they guaranteed academic remediation as the very first activity for every participant that has literacy deficiencies (estimated at 50% of recipients), allowed recipients to enter and complete education and training programs, and made available more effective training components, such as supported work.

The Massachusetts CHOICES program follows the same pattern. An early effort to adopt a statewide workfare program was rejected and replaced with a comprehensive system of training and supportive services. Participants play a major role in determining the most suitable component to fit their needs in order to foster their own commitment to make the program work effectively.

Just this past month, the New York State legislature also rejected Governor Cuomo's proposal to make a straight workfare program a part of the fiscal 1987 budget package, and are likely to adopt a more comprehensive training system along the lines of GAIN later this spring.

The two critical common elements in these experiences is that in all three states:

-- a straight workfare proposal was rejected, and

-- each state made a commitment to a more effective investment in the employment potential of welfare recipients by stressing more legitimate remediation and training efforts, and by backing up this choice with additional state funding to make the remediation activities and necessary supportive services more meaningful.

Let us hope that their message reaches Congress and federal level decisionmakers. To phrase the policy debate as a choice

between welfare and workfare is to ignore the benefits of what we have learned about the deficiencies of workfare, and to fly in the face of the clear direction that states are moving towards by their own choice.

5. What Are the Alternatives -- What Can Congress and the Federal Government Do?

Given the strong popular sentiment against welfare costs, and the strict budgetary constraints we are facing, it is not enough for a federal welfare to work policy to be based on a rejection of the workfare approach. What direction should be taken?

The two models that have shown themselves to be most effective are the supported work program, and the comprehensive training and services approach of the type embodied in the California GAIN and Massachusetts CHOICES programs.

The Supported Work approach was applied on a demonstration basis by MDRC in 1975-1978 in 15 sites. The program was found to be "most effective in preparing for employment a substantial number of women who have been on welfare (AFDC) for many years." Recipients had to have been on welfare for at least 30 of the previous 36 months in order to participate. Their average stay on welfare was 8.5 years. This was clearly the most difficult category of recipients to assist.

After an average of 9.5 months of comprehensive remediation and training assistance, costing approximately $7,000 per participant, the program produced substantial employment and income gains for these long-term welfare mothers. Most important, these results

produced long-term net savings to the government of between $3 and $10 thousand per participant.

In other words, if one of the principal purposes of welfare reform is to cut welfare costs, the best way to do it, and the most lasting, is to make a more substantial investment in terms of both time and money. These investments will far more than pay for themselves.

In essence, that is also the principle underlying the GAIN and CHOICE programs. California added $137 million to provide for effective child care services for participants. Massachusetts added $5.8 million earmarked for supported work program assignments, and $18 million more for other training options. California mandated remedial education for every participant needing it, and Massachusetts allocated $2.7 million for a similar purpose.

All these are evidence of the growing recognition that an investment in time and funding is the proper and more effective approach to the employment promotion aspects of welfare reform.

It would be a great shame to see a federal policy that discourages this approach and looks instead to shortcut methods for cutting the welfare rolls, such as workfare. What federal policy should do is to:

1. encourage the type of state discretion that produced the GAIN and CHOICES program, without imposing mandatory workfare requirements;

2. provide financial support and incentives for states that can show above average employment gains for welfare recipients (and especially for long-term recipients); and

3. encourage the use of the most effective program approaches such as supported work and remedial education.

Of course, the most appropriate question, and one that is close to the top of Congress' concerns, is where the funding for this policy of encouraging longer-term remediation is going to come from. I would suggest two sources.

One, which will probably be viewed as somewhat surprising is the Job Partnership Training Act. What we are learning about JTPA from independent assessments such as the Grinker-Walker study is that, contrary to Reagan Administration claims, the program is not working effectively. At current funding levels, only 3% of eligible unemployed people can participate in JTPA. That fact, plus the strong pressures of the program to produce fast placements at very low cost and in very brief periods of time, have led to creaming -- the provision of assistance to those who need service least, and who are already in the best position to find work. This result is a direct contradiction of the stated goal of the program to serve those most in need of employment assistance.

Contractor after contractor, service delivery area official after service delivery area official, private industry council member after private industry council member in Virginia (where I have been working most closely) and elsewhere, all convey the same message -- the makeup of the current JTPA program discourages service to the more long-term unemployed, and forces us to concentrate relatively short-term and low-cost efforts on those who are largely job-ready in their own right.

It's true that JTPA produces good participation statistics and good placement rates. But these figures belie the true contribution (or lack of contribution) of the program. Its fast-in and fast-out

high volume approach cannot hope to deal with job training needs in a realistic and meaningful way.

I would suggest taking JTPA's funding and remodeling the program to target exclusively on the harder to employ, such as long-term welfare recipients. This would mean reversing JTPA's present orientation by keying the indicators of the program's performance to successful placements of those needing more substantial forms of assistance, rather than those needing only fast-in and fast-out service.

A second funding source that deserves exploration is a revised version of the Unemployment Insurance (UI) program. Roger Vaughn, former assistant director of New York State's employment and training office, was one of the first to suggest using UI as a basis for self-supported, guaranteed training (or retraining) for dislocated workers and others needing this assistance. The virtue of this approach is that it would make training part of a self-insurance system financed primarily by employers and employees themselves, rather than a governmental benefit program that might attach the stigma of a grant-in-aid to the receipt of benefits. There is a great deal of logic in linking training to a system designed to provide for the temporary needs of the unemployed.

What makes Vaughn's proposal different from similar ones that would add training insurance to UI is his suggestion that long-term unemployed people such as welfare recipients, including those that have been unable to contribute to the training fund because they have been jobless, would also be able to draw on these resources for training purposes. This makes sense because once employed, these

recipients would then become paying participants in the UI training fund.

There is one other funding source that also should be mentioned. Employed welfare recipients become taxpayers instead of tax users. Our initial investment in improving their employment potential will be returned several fold through tax payments they will make.

6. Summary

Summarizing my recommendations to you:

1. The debate over federal welfare-to-work policy should not be put in terms of "Workfare Versus Welfare." Congress should be supporting and seeking to encourage the adoption of policies and programs that are far more effective than workfare in helping welfare recipients become employed on a long-term basis. Workfare is the least effective and probably the most costly (measured in terms of long-term effects) approach.

2. There is not one program or policy approach that is best suited to assist every welfare recipient find work. The fifty percent of welfare recipients who currently find work and leave the program in a short time need little more than job search and referral assistance. Recipients who are long-term unemployed need the type of academic and skill training designed to deal with the barriers that keep them from being considered employable. Few in either category receive any benefits from the type of unpaid public service work experience that workfare represents.

3. What you put in, you get out. You can't expect to produce positive change in the hard-core unemployed with quick, low

investment approaches such as workfare. A person with literacy problems can't be made employable with a 6 to 8 week stint in workfare, or in a low-cost job training program costing $600 per participant. The long-term cost of doing little or nothing to change recipients' basic employability profiles is far greater than making an initial investment in human capital that is designed to improve employability on a more lasting basis. Proven programs such as Supported Work and others that deal with the core issues of academic and job skill deficiencies that keep welfare recipients from becoming employed deserve to be the focus of national welfare-to-work policies.

4. Among the sources of funding that should be considered to support a more effective federal training effort for welfare recipients are:

-- a revamped Job Training Partnership Act program that focuses assistance more carefully on the hardest to employ, and encourages (rather than discourages as is presently the case) the type of longer-term remediation that makes the most effective difference in the employability of welfare recipients; and

-- an expanded Unemployment Insurance (UI) program that adds a training support component, and makes it available (through UI's joint employer/employee contribution system) to all long-term unemployed or dislocated workers.

I appreciate being given this opportunity to participate in Congress' consideration of welfare reform policy needs, and would be pleased to continue to work with you in any way that you would find useful.

Report To The General Assembly
On The
Mandatory Work, Education, And Training Program
For Employable Recipients Of General Assistance

May 1, 1984

Stephen B. Heintz, Commissioner
Connecticut Department Of Income Maintenance

During 1983 732 recipients (7% of those suspended) agreed to work during their suspension period. They were paid at the end of each week's work only if they completed their assignments.

Of the 10,466 suspensions during 1983, 6,907 (66%) were for 30 days, 2,407 (23%) were for 60 days and 1,151 (11%) were for 90 days.

SUMMARY

During the third year of implementation, the goal of placing two-thirds of employable recipients in work, education or training programs is being achieved by all of the towns. For the period January 1, 1983 to December 31, 1983 a monthly average of 5,591 recipients participated in work programs, a monthly average of 688 recipients participated in training programs, a monthly average of 226 recipients participated in education programs and a monthly average of 1 recipient participated in rehabilitation programs.

The program produced direct costs to the state of $6,884,625 including $2,968,900 in administrative reimbursements, $1,877,660 in incentive grants and $2,038,065 in additional reimbursements at the 100% rate rather than the 90% rate. Implementation of a penalty for non-participation of recipients produced a savings of $1,871,216 and denial of reimbursement to towns for non-compliance produced a savings of $704,145 for a net state cost of $4,309,264.

James G. Ledbetter, Ph.D. / Commissioner

GEORGIA DEPARTMENT OF HUMAN RESOURCES

878 PEACHTREE STREET, N.E. / ATLANTA, GEORGIA 30309

ATTACHED IS THE PRELIMINARY REPORT OF THE PILOT COMMUNITY WORK EXPERIENCE PROGRAM'S FIRST TWELVE MONTHS OF ACTIVITY. A MORE EXTENSIVE REPORT IS BEING PREPARED FOR DISTRIBUTION TO THE GEORGIA GENERAL ASSEMBLY AND WILL BE AVAILABLE AT A LATER DATE.

8/1/82 - 7/30/83

Participation

As of July 30, 1983, we had 280 participants registered with the program; 277 registrants were mandatory and 3 were volunteers. The program registered 457 clients during the twelve month period and had a total of 177 deregistrations. Deregistrations occured because of mental or physical incapacity, employment,and changes in participants' AFDC eligibility status.

Even though some clients expressed negative feelings about mandatory program participation only five (5) refused to register and five (5) were removed from their grants for failing to participate after registration. Three (3) of these are now included in their grants and are meeting AFDC registration requirements.

Due to lack of staff time to develop resources and lack of child care and transportation resources, all clients were not placed on worksites. During the month of January which had the highest level of worksite participation, only 44% of the CWEP registrant population spent time on a worksite.

Worksites and Sponsors

Sponsors are non-profit private or public agencies who provide work experience for CWEP participants. Work assignments were developed with a variety of local agencies and the sponsors as well as work assignments varied from county to county depending on local resource availability and need.

Some examples of placements made are as follows:

Military Recruiters	- Receptionist/Clerical
School System	- Teacher's Aide, Janitorial/Custodial Workers, Clerical Aides, Lunchroom Aides
Head Start Program	- Teacher Aides
Senior Citizen Program	- Recreation Aides
Retardation Centers	- Activity Aides, Kitchen Helpers
D.F.C.S.	- File Clerk, Community Workers
City and County Government	- Clerical Aides, Library Aides, Custodial Aides, Prison Watchman
Community Action Agency	- Recreation Aides
Civil Defense	- Clerical Aides
Arts Center (County)	- Activity Aides
Health Department	- Custodial Aides
Agriculture Extension Service	- Receptionist
Ministerial Association	- Clothes Bank Supervisor

Of the 106 entering employment, 52 went off the welfare roles and 42 were still off AFDC at the end of the twelve month period. There was no control group of "non CWEP" participants to compare this rate of entry into employment. Consequently, it is not possible to draw any conclusions about the impact of this program on entry into employment.

Unsubsidized Job Development

Counties involved in the project did not have adequate time to devote to unsubsidized job development. Group job seeking skills activity was encouraged but due to lack of staff resources, this activity was only provided at minimal levels in Hart, Cook and Bleckley counties. Client response to limited involvement in the group activity was positive.

Linkages

Counties participating in the project developed linkages with other service providers in order to carry out program objectives. The level and extent of cooperation varied from site to site. In addition to the agencies providing work experience slots for participants we had Department of Labor staff involvement in the District 2 project area. Department of Labor staff became involved in the testing, assessing and placement of participants on worksites. Staff was also involved in the provision of job orientation to participants.

In Hart County, Rehabilitation Services assisted in obtaining medical and psychological information on participants thought inappropriate for the program but for whom there was no medical information on file. Of those assessed by Rehabilitation Services, four were approved for Supplemental Security Income Benefits. Rehabilitation Services was also involved in the Job Seeking skills development activity that Hart County provided to CWEP participants.

Savings and Expenditures

Savings from non-participation and employment totaled $44,984.00. Project expense and staff cost totaled $202,188.10 for the project year. The project expense includes child care and transportation cost, as well as, other participation related cost.

FLORIDA

AN EVALUATION OF THE DUVAL COUNTY WORKFARE PROJECT

E-85-1

64-947 0 - 86 - 2

What are some general Workfare Program characteristics?

- The Workfare Program operated from 9/83 through 9/84.
- A total of 1180 food stamp recipients were referred to the Workfare Program. This represented approximately 11 percent of all food stamp recipients at the project site during the project period.
- Approximately 29 percent of all Workfare clients actually worked, of which approximately 64 percent completed their work assignment.
- Of the 54,282 work hours assigned from 9/83 through 6/84, approximately 41 percent were actually completed.

How many Workfare clients were sanctioned?

- 30 households were sanctioned until a court order restored their food stamp benefits.
- An additional 16 households would have been sanctioned if legal intervention had not occurred.
- Many households that failed to complete work assignments were excused for a variety of reasons.

To what extent did Workfare contribute to the employment of food stamp recipients?

- Approximately 279 Workfare clients became employed during the project period. Ninety-three percent of them found work through self-placement efforts.

- Workfare case file reviews verified that 13 clients obtained employment as a direct result of the Workfare Program.

Was the Workfare Program cost-beneficial?

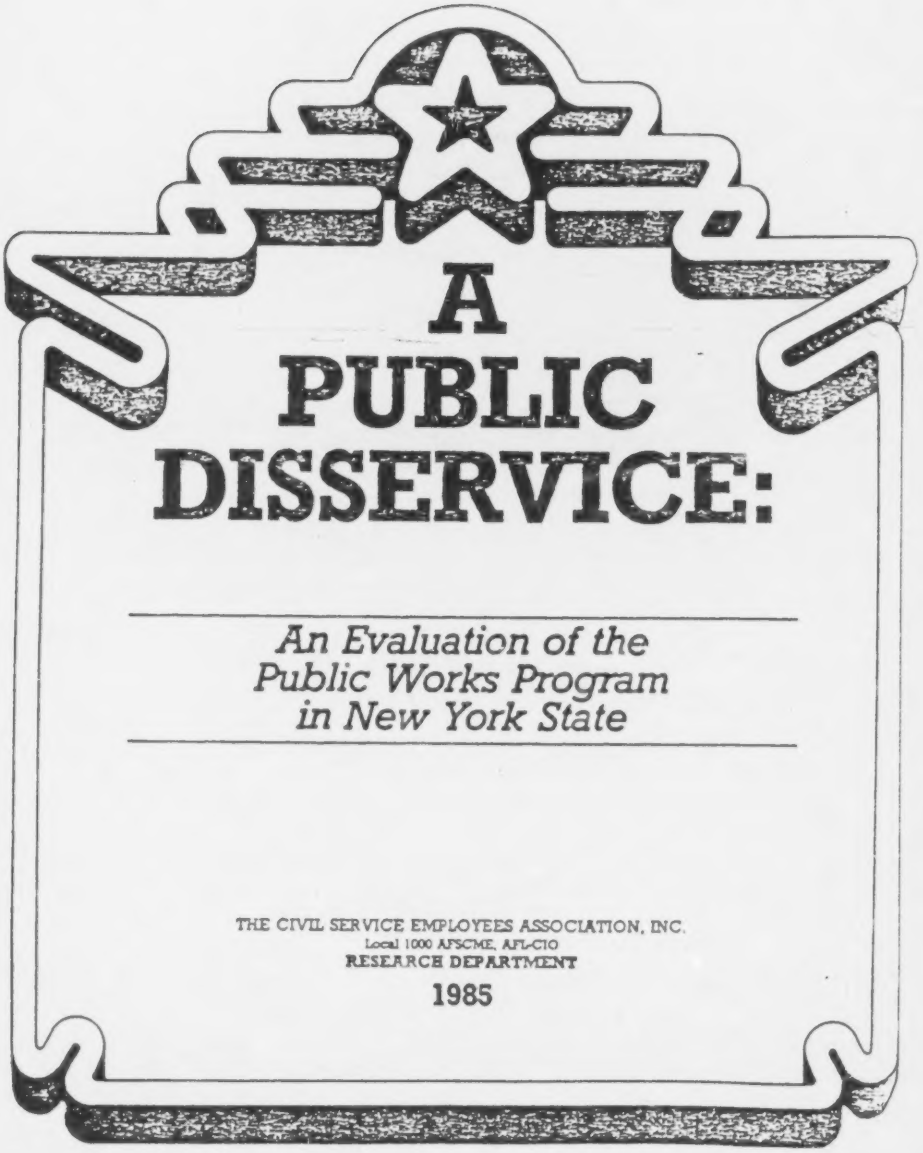
- Total direct costs amounted to $159,872.
- From the government/taxpayer's perspective, for every dollar spent, only 16 cents was returned, a net loss of 84 cents.
- From the perspective of government/taxpayer, work site employer, and Workfare participant, for every dollar spent, only 71 cents was returned, a net loss of 29 cents.
- Work site employers received $74,591 in benefits from the work performed by Workfare participants.
- Legal actions forcing the suspension of sanctioning Workfare clients for non-compliance produced notable decreases in the program's benefits.

How did the Workfare Program affect food stamp program activity?

- Findings suggest that Workfare may have deterred former and/or potential food stamp recipients from applying at the food stamp office affiliated with the Workfare Program.
- The Workfare site food stamp office experienced a greater decrease in application and caseload activity during the project period when compared to Duval County and the state as a whole.

What were the opinions of the Workfare Program held by clients?

- 56 percent felt that the program was essentially fair.
- 71 percent felt better about receiving food stamps having worked for them.
- 61 percent felt a part of the agency to which they were assigned to work.
- 52 percent of those clients not participating obtained employment prior to their Workfare assignment.
- 41 percent learned new job skills at the work site.



A PUBLIC DISSERVICE:

An Evaluation of the Public Works Program in New York State

THE CIVIL SERVICE EMPLOYEES ASSOCIATION, INC.
Local 1000 AFSCME, AFL-CIO
RESEARCH DEPARTMENT

1985

EXECUTIVE SUMMARY

"The first element of New York State's strategy for mastering its economic future is the work force, the men and women who determine what we can do, and how well we can do it. Government has the responsibility to develop these 'human resources' -- the researchers, scientists, engineers, entrepreneurs, craftsmen, technicians, agronomists, the highly-skilled and trained workers and managers who will reshape our economy."

— Governor Mario M. Cuomo[1]

New York State has long recognized the important role a well-educated citizenry plays in fostering a healthy economy. Under the leadership of Governor Mario M. Cuomo even greater emphasis is being placed on developing the educational foundations and job skills necessary to compete in the evolving technological-based economy. So important is a skilled work force to the State's economic future that it has become a critical component of the Governor's industrial revitalization efforts.

In recent months, the Civil Service Employees Association (CSEA), New York's largest public employee union, has been reviewing federal and state employment training programs in order to assess their effectiveness in light of the State's economic needs and to determine impact of these programs on our membership. Of particular concern to CSEA was the state-mandated Public Work Program (PWP) which requires Home Relief public assistance recipients to earn their welfare checks by working in public and non-profit and agencies. In theory, Public Work Program participants will learn the job skills and work habits necessary to secure unsubsidized employment.

However, CSEA members reported that the Public Work Program participants assigned to their worksites did not develop skills or improve attitudes.

To evaluate the Public Work Program, CSEA used three guidelines developed to examine the effectiveness of all employment training programs. The principles included:

1) Employment training programs should develop the job skills necessary to transition into unsubsidized employment at a wage sufficient for self-support;
2) Employment training programs should be cost-effective;
3) Employment training programs should not interfere with the efficient, effective operation of government services nor compromise the merit and fitness principles of the Civil Service System.

Throughout the summer and fall of 1984, CSEA visted PWP work sites, spoke with program participants, met with on-site PWP supervisors, discussed the program with State and County program administrators, and reviewed pertinent literature. Among the findings included:

- The Public Work Program is not cost-effective. Local governments must spend nearly $2 on administrative costs for each $1 they save.
- Public Work Program participants generally do not receive job skills training. As a result, only 3% are able to find unsubsidized employment as a result of the experience. This is a dismally low placement rate in comparison with other employment training programs.

- The Public Work Program does interfere with operations at work sites by reducing the productivity, by placing the public and employees in danger, and by reducing job opportunities.

In light of the State's economic development goals, the Public Work Program is not an effective or appropriate strategy. It is a very expensive program in which PWP participants do not develop job skills and cannot find a job as a result of the experience. The Civil Service Employees Association recommends that the Public Work Program be abolished and replaced with a far more effective program which could develop under Job Training Partnership Act Program (JTPA).

Representative LUNGREN. Now we will hear from Lawrence Mead, associate professor, Department of Politics, at New York University.

STATEMENT OF LAWRENCE M. MEAD, ASSOCIATE PROFESSOR, DEPARTMENT OF POLITICS, NEW YORK UNIVERSITY

Mr. MEAD. Thank you very much, Mr. Vice Chairman. I appreciate the chance to participate in these hearings.

I have been researching Federal welfare and employment programs for about 10 years and much of what I will say is drawn from a recent book on the subject entitled "Beyond Entitlement."

There is a work problem in AFDC. I am speaking simply of the major welfare program. Although most people on AFDC leave the rolls in under 2 years, about 38 percent remain on for 5 years or longer, and among this group, especially, nonwork is a serious problem.

The traditional explanations for nonwork on welfare are no longer persuasive. There are a number of theories that I can discuss in more detail, if you like. One of them is that racial discrimination keeps many of the poor out of the job market. Some also claim that there is not enough employment or that day care is a problem or that training is necessary or that there are disincentives to working in welfare itself.

The research doesn't really support any of these theories, and I will be glad to go into detail, if you like.

My own view is that a better explanation is simply that the welfare poor have simply not been expected to work. The welfare structure is permissive. Until very recently, we haven't had serious work requirements, and this is the most plausible reason for nonwork, although the phenomenon, to a large extent, remains a mystery.

We know from studies of the cause for poverty—and I am speaking only of the long-term cases—that the poor are irresolute about seeking work. They definitely want to work. They have mainstream goals, but they are irresolute about actually doing the things needed in order to work, such as arrange training, transportation, child care, go out and find a job, and so on. These problems are overwhelming to them, and it looks as if programs that do not set standards, that do not require them actually to move on this challenge, are unable to motivate them to work.

The evidence is that work requirements would in fact raise work levels on welfare significantly. They haven't done so to date, but at the margin it can be shown that the degree of welfare obligation in the system is very closely tied to how many people in fact work.

In AFDC the first requirements were instituted in 1967 and produced little effect. They were toughened in 1971 and produced a measurably greater effect. And then in 1981, as has been mentioned, Congress allowed a more demanding set of requirements be instituted at State option.

According to studies by MDRC, which we will be hearing about, these programs have in some cases raised the share of recipients participating in work or training very sharply. In the case of San Diego and West Virginia, to over 60 percent.

As I will make clear, I think that finding is far and away the most important to come out of these studies.

According to my own studies of the work incentive program, the participation rate is in fact the key to welfare work, and it hinges on obligation. The higher the proportion of clients obligated to participate in work training, the higher the proportion that in fact go to work. Economic factors, such as the availability of jobs, the employability of the clients, the number of staff available to serve them, all these things matter also, but much less than is commonly believed, and less than obligation. It can be shown that in a multivariate model involving all these factors obligation dominates.

The MDRC studies permit a preliminary assessment of these new programs. In this context, I will use workfare to mean not simply working off the grant but any definite requirement to participate in job search training or public sector employment in return for welfare benefits.

The key here is the requirement to participate. The previous witness has said that we must invest in training, and I agree with that. But experience has shown that a merely voluntary training program will not have enough impact on the long-term poor to really solve the problem that they pose for American society. Although we must offer training and investment in human capital, there must be a definite obligation to participate to go along with it. Without that, it has been shown that the impact is too limited.

Therefore, the key is not necessarily whether we force someone to work off the grant or to enter training or to do something else related to work, but rather the requirement. That is, in fact, the key issue. I think if we get to the heart of it we will discover that the real difference over welfare work is not over whether it should be training or whether it should be workfare in the narrow sense. The real issue is, in fact, obligation. This is the thing we really differ about.

The traditional question asked by liberals about welfare work is whether the recipients benefit. Conservatives ask whether the welfare rolls and cost to government are reduced. Both are asking economic questions. In these terms, the new programs appear to yield definite but limited gains. It does look as if the recipients on workfare work and earn more, rely on welfare less. There may also be some gains to government. My colleague from MDRC will certainly enlarge on those findings.

The thing I want to stress is that these economic questions are really not the most important ones to ask about workfare. We must look at workfare more politically. We are not undertaking workfare fundamentally in order to improve the earnings of the recipients or to save government money. We are in fact doing it to achieve social integration.

The traditional economic questions reflect traditional New Deal preoccupations in American politics with the scale of government. Liberals want more government in order to serve the individual, while conservatives want to cut back government. Neither viewpoint really appreciates the point of workfare, which is to change the character of government rather than its scale.

Properly understood, work is not another benefit for the recipient alongside the income grant. The question to ask is not whether

the recipient benefits. The point, rather, is to attach an obligation to the benefits they already are receiving, to have some notion of reciprocity such as other Americans encounter when they enter the job market. The rest of us work in order to achieve our income. It is necessary for integration that the poor have to do the same, even if what we require of them is in fact quite limited.

On the conservative side, the point of workfare is not fundamentally to save money but rather to make sure that those on welfare, who are dependent, perhaps for reasons they cannot control, nevertheless function in the ways other Americans require in order to regard them as equals. Without some notion of obligation, without having to function in some way, they will never be accepted as equals no matter what government does to raise their income.

Viewed politically, the potential of workfare to raise participation levels is overwhelmingly the most important finding about it, much more so, I think, than the economic results.

Compared to politicians, the public is humanitarian but not permissive. It doesn't want simply to give things to people. It wants to give things to them but also to uphold social standards. That is why workfare is potentially attractive, because it speaks to both sides of the public mind. It helps people but at the same time requires that they function in ways other people expect. It helps them by way of some effort; in this case, work or training.

The other critical political fact about welfare work is that the recipients themselves accept it. Typically, advocates for the poor and those who defend their rights see workfare or anything like it as punitive. But the recipients on the whole do not. The MDRC studies and my own research demonstrates that they usually regard these participation requirements as fair, and furthermore, they view participation in the program as quite a positive experience in most cases. I think they realize that this kind of structure is in fact necessary if they are going to achieve their goals, which are to work like other people.

The image of workfare as punitive is outdated. This reflects a view of workfare that comes from its use, for example, in general assistance programs, its use as a program control device in some States prior to 1981. As the MDRC studies show, the current workfare programs are not predominantly punitive. Their purpose is not predominantly to discourage people from going on welfare, but rather to see that those who are on welfare do the things that they must in order to be integrated and eventually to get off welfare.

The point is not to cut the costs right away but to set up a structure that will reduce long-term dependency.

So I think that workfare in the sense of a participation requirement involving some mix of work and training and not with the intention to drive people off the rolls is definitely worthwhile.

I think above anything else workfare has shown a capacity to get a response from the long-term poor, to get them to react in a way that is constructive. It has, in fact, drawn a stronger response from this group than anything else yet tried. For that reason alone, I think it is a very promising social policy.

The other thing I want to emphasize is that even though this idea is a good idea in principle, the implementation problems are rather serious, and they should be approached cautiously. The most

fundamental of these is political. It will be difficult for Washington, given the habits of Federal politicians, to generate an unambiguous commitment to workfare. There are too many tendencies to view it from the perspective of the individual or from the point of view of saving money.

My view is that the cost will be definite, but limited, will be somewhere between what we now pay for workfare and what we would have paid for CETA if we tried to apply that system to welfare. One estimate that strikes me as plausible, and it is only a guess, would be around $2 billion above what we now pay for welfare. This would be for a system that seriously tried to involve all employable recipients in some participation requirement.

Another issue is administrative. To carry out a program on this scale would involve a serious challenge for local agencies. In order to do this they have to be given time. They also have to be given incentives. At present, they have to obligate to participate only 15 percent of the employable clients in AFDC to avoid fiscal sanctions. That number should be raised, I would say, to something like 25 or 30 percent, with further increases over time, and some further money must be made available for this.

The administration has proposed at 75-percent participation requirement and at the same time they want to abolish the WIN Program. That strikes me as contradictory. I think one has to aim at a lower level of participation. I would say a goal of over 50 percent is probably feasible, but it requires some new funding, which clearly does require continuing WIN or some equivalent program.

I want to end on the note that the purpose of workfare is not to expand the freedom of the recipients. It is, in fact, to constrict their freedom in necessary ways. Nor is it to save money for government. The purpose, instead, is to do something to ensure that the long-term dependent poor are, in fact, functioning as other Americans expect them to do. The goal is equality, the goal is to have a society that is more nearly unified.

Thank you.

Representative LUNGREN. Thank you very much, Mr. Mead.

[The prepared statement of Mr. Mead follows:]

PREPARED STATEMENT OF LAWRENCE M. MEAD

My name is Lawrence M. Mead. I am an Associate Professor of Politics at New York University. I have been researching federal welfare and employment programs for about ten years. Much of what I will say is drawn from my recent book, Beyond Entitlement.[1]

I. THE WORK PROBLEM

While most people who rely on Aid to Families with Dependent Children (AFDC) leave the rolls in under two years, 38% remain on for five years or more.[2] Nonwork is a serious problem on AFDC. Only 15% of welfare mothers work at a given time, according to government surveys, and the rate is still lower among the long-term cases.[3] Nonwork is one of the keys to solving poverty and dependency in the United States. If more of the poor worked, many fewer would need support. There would be more political support for a generous antipoverty policy. Most important, chances for integration would improve.

The traditional explanations for nonwork are no longer persuasive. Most of the long-term poor and dependent are nonwhite,[4] and it could be claimed until recently that they were simply kept out of the job market by discrimination. But in recent decades a black middle class has appeared, and a number of nonwhite groups--West Indians, Asians--have done conspicuously well economically. Nor can the dysfunctions of today's underclass--crime and illegitimacy as well as nonwork--be seen as "rational" responses to discrimination, since the poor themselves are the main victims.

Some cite other social barriers. Allegedly, the economy does not provide enough employment for the poor. Particularly, the decline of manufacturing has reduced the number of jobs available to the uneducated. Or the poor are kept from working by child care responsibilities

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[1] Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986).

[2] Mary Jo Bane and David T. Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency," study prepared for the Department of Health and Human Services (Cambridge, Mass.: Urban Systems Research and Engineering, June 1983), ch. 2.

[3] *Beyond Entitlement*, pp. 74-5. The proportion of welfare mothers working anytime in the year is higher, perhaps a third or more. And many welfare women work without reporting the income to welfare. These facts indicate a capacity to work, but they do not solve the welfare work problem, since the effort is seldom sustained and working "off-the-books" involves cheating on welfare. See Mildred Rein, *Dilemmas of Welfare Policy: Why Work Strategies Haven't Worked* (New York: Praeger, 1982), chs. 5-6.

[4] Greg J. Duncan et al., *Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families* (Ann Arbor: Institute for Social Research, University of Michigan, 1984), tables 2.2, 3.2.

or lack of skills. Thus, to raise welfare work levels would take massive new government programs to provide jobs, child care, and training.[5]

However, job creation in the service sector has been prodigious in recent decades. The "high tech" economy seems to create nearly as many low- as high-skilled jobs. Many of these positions require little more initially than an ability to read, get to work on time, and take orders. The presence of 5 to 10 million illegal aliens in the country certifies that at least low-skilled work is widely available. There is little evidence that relatively low-placed groups such as blacks, teenagers, and women are confined in unattractive jobs for reasons beyond low skills. Most of their unemployment is due to turnover in jobs rather than lack of jobs. The main reason the long-term poor do not work steadily today is problems of work discipline peculiar to them, not the limitations of the labor market.[6]

Government services are much less critical to work than is often claimed. Training programs have little impact on skills, but in any event mothers with low skills seem to escape welfare through work as often as the better-prepared. And while many working mothers could use child care programs, most arrange, and prefer, informal care through friends and relatives. Mothers with children under 6 are just as likely to work their way off welfare as those with children in school.[7]

Another approach says that nonwork results from the disincentives in welfare. Allegedly, AFDC breaks up families because eligibility is usually limited to single parents with children, and it discourages work because most of what recipients earn is deducted from their welfare grants. Using this reasoning, conservatives demand cuts in welfare for the employable while liberals recommend stronger work incentives--i.e., allowing recipients to keep more of their wages as an inducement to work. More broadly, conservatives blame the generous social programming of the 1960s and 1970s for the increasing behavioral problems among the underclass.[8]

Experience has shown that these proposals are impolitic. The Reagan Administration has achieved only marginal cuts in welfare benefits, while proposals by Presidents Nixon and Carter to reform welfare on work incentive lines were rejected by Congress. More significant, research and experience have not shown that welfare incentives have much affect on work effort either

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[5] William Julius Wilson, *The Declining Significance of Race: Blacks and Changing American Institutions, 2nd Ed.* (Chicago: University of Chicago Press, 1980); Leonard Goodwin, *Causes and Cures of Welfare: New Evidence on the Social Psychology of the Poor* (Lexington, Mass.: D.C. Heath, 1983), ch. 7.

[6] *Beyond Entitlement*, ch. 2, 4.

[7] Bane and Ellwood, "Dynamics of Dependence," ch. 3; Suzanne H. Woolsey, "Pied-Piper Politics and the Child-Care Debate," *Daedalus*, vol. 106, no. 2 (Spring 1977), pp. 127-45.

[8] For the conservative view, see Charles Murray, *Losing Ground: American Social Policy, 1950-1980* (New York: Basic Books, 1984). For the liberal view, see Henry J. Aaron, *Why Is Welfare So Hard to Reform?* (Washington, D.C.: Brookings, 1973).

way. Stronger work incentives were added to AFDC in 1967, then largely withdrawn in 1981, without affecting work levels palpably. And if dysfunction among the poor rose when social spending boomed, it has not yet declined even though welfare benefits have fallen by a third, allowing for inflation, in the last 15 years.[9]

A better explanation for nonwork is simply that the dependent poor have seldom been expected to work. Welfare and the other programs that give them income and services have been permissive. They have seldom required their clients to work or otherwise function *in return* for support. This reflects the liberal social analysis of the Great Society period, which attributed all problems of the poor to social forces and refused to hold them accountable even for personal conduct. The onus lay entirely on government to make work happen by providing new benefits to the poor, including cash, education, training, and child support.

Unfortunately, the poor are irresolute about achieving work, and a permissive policy cannot change this. Studies show that they accept mainstream values such as employment, contribution to families, and obedience to the law, but that they less often observe them than the better-off. They feel that difficult circumstances prevent them living by norms that, in principle, they accept. Without setting standards, federal programs could not close this gap between intention and behavior. Instead, they strengthened the "welfare mentality" of the poor--their tendency to see all solutions, like all problems, coming from outside themselves.[10]

II. THE NEED FOR OBLIGATION

The evidence is that work requirements might raise work levels on welfare significantly, though they have not done so yet. The work tests first added to AFDC in 1967 were ineffective mainly because they lacked sufficient authority. In practice, too few of the employable recipients were subject to the Work Incentive (WIN) program, the first work program in AFDC. In 1971, Congress mandated that all employable recipients be referred to WIN, and job entries jumped sharply.[11]

But WIN required at most that employable recipients look for work, on pain of reductions in their welfare grants. In 1981, Congress allowed states to toughen the requirements further. They might now for the first time institute workfare, that is require clients actually to work in return for benefits. About half the states have since instituted more demanding AFDC work programs of some kind. Typically, they mandate that employable recipients, or at least new applicants for AFDC, participate in varying combinations of job search, training, and work in government

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[9] *Beyond Entitlement*, ch. 4.

[10] *Beyond Entitlement*, ch. 3; Ken Auletta, *The Underclass* (New York: Random House, 1982), chs. 3-15.

[11] *Beyond Entitlement*, pp. 121-4.

agencies. According to studies by the Manpower Demonstration Research Corporation (MDRC), programs in San Diego and West Virginia have raised the share of the employable engaged in these activities to over 60%.[12]

According to my own studies of WIN, the participation rate is the key to welfare work, and participation hinges on obligation. To raise participation, an office must provide clients with necessary services (especially child care) and then require them to join in job search or some kind of training or subsidized job program. The higher the proportion of clients so obligated, the higher the proportion that goes to work. Economic factors--the availability of jobs, the employability of clients, the number of staff available to serve them--matter too, but less so than the degree of work obligation. Apparently, nothing improves clients' employment fortunes so much as simply expecting them to work.

Most WIN staff interviewed for these studies had come to similar conclusions. Few believed that the barriers often cited to welfare work were decisive. Few said that jobs were literally unavailable--even in depressed areas of New York City. "Good" jobs were scarce, but low-paid jobs were commonplace. While most supported training for those who could get "better" jobs, many said that WIN had sometimes used training as a substitute for work. Few believed that government child care was essential for mothers to work. Typically, mothers who demanded care from the program were seeking to avoid participation; those who wanted to work arranged care themselves. Staff complained most bitterly, not about the job market or their own resources, but about their limited *legal* ability to penalize, through welfare reductions, the few clients who resisted work.[13]

III. AN ASSESSMENT OF WORKFARE

The MDRC studies permit a preliminary assessment of these new requirements, though experience is still limited. I will use "workfare" here broadly to include any definite requirement to participate in job search, training, or public sector employment in return for welfare benefits.

The traditional question asked by liberals about welfare work is whether the recipients benefit, by conservatives whether the welfare rolls and costs to government are reduced. In these terms, the new programs appear to yield definite but limited gains. Compared to recipients not subject to the new requirements, clients who have been in workfare more often work and earn

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[12] Judith M. Gueron, *Work Initiatives For Welfare Recipients: Lessons from a Multi-State Experiment* (New York: Manpower Demonstration Research Corporation, March 1986), pp. 10-11.

[13] Lawrence M. Mead, "Expectations and Welfare Work: WIN in New York City," *Policy Studies Review*, vol. 2, no. 4 (May 1983), pp. 648-62, and "Expectations and Welfare Work: WIN in New York State," *Polity*, vol. 18, no. 2 (winter 1985), pp. 224-52. The latter study is summarized in *Beyond Entitlement*, ch. 7. Preliminary results from a study now underway show similar results for WIN nationwide.

somewhat more. Lower proportions remain on welfare, and their welfare grants are smaller. Notably, the employment and earnings gains were highest in programs involving required work, not just job search.

Budgetary savings are less clear. Workfare costs more at the outset than plain income maintenance because of the required child care, training, and government jobs. These costs are recouped later in reduced welfare costs as more recipients go to work, either reducing their grants or lifting them off welfare entirely. Of the three programs for which MDRC has compete data, two saved money. All three were worthwhile if other benefits, to society and the recipients, are included.[14] No doubt, testimony from MDRC will explicate these findings.

However, these economic questions are not the most important ones to ask about workfare. They reflect the traditional, "New Deal" preoccupation of American politics with the scale of government. Liberals want larger government to serve the individual, while conservatives want to reduce public burdens on the private sector. Implicitly, both assume that social programs must be benefit-oriented. Liberals tend to regard work or training as another benefit for the recipients alongside cash assistance. Conservatives realize this approach is permissive, but their usual response is simply to cut back such programs and let the marketplace impose work discipline.

Neither stance easily appreciates the real point of workfare--to change the *character* of government rather than its scale. Properly understood, work is not another benefit for the recipient but an *obligation* balancing the benefits they are already receiving from society. Neither is it a way to cut back welfare, at least at the outset. The point, rather, is to avoid exempting recipients from normal social obligations, to require that they function *even if* they are dependent.

Viewed politically, the potential of workfare to raise participation levels outweighs all the economic results. Unlike politicians, the public is much more concerned with the character than the extent of welfare. Polls reveal little sentiment either to expand or contract welfare, but intense disquiet at the "abuses" associated with welfare--fraud and abuse, nonpayment of child support by absent fathers, and above all nonwork. The public is humanitarian but *not* permissive. It wants welfare to help the needy but also to uphold social standards. The traditional liberal and conservative positions on welfare violate one side or the other of this public mind. Potentially, workfare could satisfy both. It helps the needy, but in a *demanding* way.

To the public, the moral issues in welfare dwarf the economic ones. The social dysfunction linked to dependency is much more distressing than the cost of welfare. Americans wish they could view AFDC recipients as "deserving" in the same manner as beneficiaries of Social Security and other social insurance programs. More than anything else, higher work levels would make

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[14] Gueron, *Work Initiatives for Welfare Recipients*, pp. 14-19.

welfare more "respectable." Polls indicate that if assistance could be given by way of work, voters would want to spend *more* on the poor rather than less. Thus, workfare deserves the support of those who seek a generous social policy.[15]

The other critical political fact about workfare is that the recipients themselves accept it. Compared to plain welfare, workfare may not make the recipients much better off economically, but it responds directly to the difficulty they have in living up to the norms they profess. Conservatives tend to say that recipients who fail to work are ripping off the public, while liberals say they have made a "rational" decision not to work in view of the constraints. But these characterizations project on the dependent the self-reliant psychology of the better-off. In fact, the dependent are usually depressed, not cynical, about nonwork. They fail to work, not out of calculation, but because they feel overwhelmed by the logistics of work, as well as by ordinary domestic crises.

By mandating work, workfare helps change employment from an aspiration into a reality. It provides necessary support services, but it also requires that mothers get out of the house in the morning, a spur they need. In my studies, WIN staff said that recipients very seldom contested the work obligation in principle. Nearly always, they accepted it, and they saw participation in WIN as positive. In the MDRC studies, the great majority of workfare clients viewed the participation requirement as fair. They also felt their jobs were meaningful, not "makework." At most, many of those in public positions where they "worked off" their grants would have preferred regular, paid employment.[16]

How do we reconcile these findings with the common view that workfare is "punitive"? One explanation is that critics often see work requirements as invidious in the same way as the restraints on sexual activity that welfare agencies have sometimes tried to impose on recipients. Allegedly, to require work is demeaning in the same manner as raiding a welfare family in the middle of the night to see if there is a man in the house. But the evidence is that recipients view work demands quite differently from intrusions into their personal lives. The latter are private, but work is a public matter about which the agency may inquire, since it affects the size of the welfare grant and the cost to society.[17]

Also, workfare was first used in local general assistance programs intended for groups not eligible for federal welfare, usually two-parent families and single men. In these programs, many more of the employable recipients were men, and many more of them resisted work, than in AFDC. Inevitably, efforts to make them work took on a harsh tone. And when workfare appeared in

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[15] *Beyond Entitlement*, chs. 9-10.

[16] Gueron, *Work Initiatives for Welfare Recipients*, pp. 13-14.

[17] Joel Handler and Ellen Jane Hollingsworth, *The "Deserving Poor": A Study of Welfare Administration* (New York: Academic Press, 1971), p. 84.

AFDC, in experimental programs before 1981, the impetus usually came from conservative state officials interested in "program integrity." They saw workfare mainly as a way to deter the employable poor from seeking welfare or to drive them off the rolls, thus limiting assitance to the unemployable or "truly needy."[18] In contrast, the recent AFDC work programs have not been punitive.[19] Their purpose is much more to raise work levels *on* welfare than to limit assistance.

A final explanation is that those who say workfare is punitive are usually quite different from the recipients. That sentiment comes from the leaders of welfare advocacy groups, but typically they are working, not on welfare. Maybe they once were on welfare, but they are now upwardly mobile. Like other self-reliant Americans, they are able to live out the work ethic without either assistance or obligation from government. They would resent being told to work, and so they should. But they err in generalizing from their own experience to that of recipients generally. Most welfare recipients do not resent work demands. Many know they need the structure of workfare programs, with their combination of supports and requirements, actually to achieve work.

The main shortcoming of workfare may be that initially it reaches mainly welfare mothers, not the men who father their children and should normally be supporting them. For constitutional reasons, government cannot force people to work except as a condition attached to benefits it gives them. Since it is usually mothers who receive AFDC, they are the easiest to obligate. There is no comparable benefit for men. While they receive some welfare and training services, they seldom rely on it to live as the women do. Most of their income comes from a combination of erratic work, informal subsidy from the mothers, and "hustling" in the underground economy.

A work policy for men would have to orchestrate a number of lesser obligations, not all of them federal. Some men are on AFDC (either teenagers not in school or unemployed fathers, in states covering them); they can be, and are, required to work in the same way as mothers. Child support enforcement can be strengthened. Work in available jobs can be made an eligibility requirement for federal training programs. Standards in the schools can be raised, to ensure that youths leaving school can read. Perhaps most important, police measures are needed to constrict the underground economy. These steps together might gradually do for men what workfare does for women--cause them to accept available jobs in the legal labor market.

On balance, workfare is certainly worthwhile. The long-term poor are notably unresponsive to the opportunities around them. They have not taken advantage of existing employment, as

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[18] Judith M. Gueron and Barbara Goldman, "The U.S. Experience in Work Relief" (New York: Manpower Demonstration Research Corporation, March 1983), pp. 1-33. For a sophisticated statement of the "program integrity" approach, see Blanche Bernstein, *The Politics of Welfare: The New York City Experience* (Cambridge, Mass.: Abt Books, 1982).

[19] Gueron, *Work Initiatives For Welfare Recipients*, p. 13

recent immigrant groups have, nor have benefit-oriented social programs done much to help them. Workfare has drawn a stronger response from this group than anything yet tried. That alone makes it the most promising development in social policy since the Great Society.

IV IMPLEMENTATION

However, workfare raises substantial implementation questions. The most fundamental of these are political. As mentioned above, federal politicians prefer benefit-oriented programs, or reductions in such programs, to the combination of benefits and requirements represented by workfare. Congress has allowed workfare in AFDC, but it has not yet mandated it, as the Reagan Administration wants. Proposals to do so will arouse continuing resistance, not withstanding the strong evidence for them. Liberals will say they are punitive, and conservatives will say they perpetuate big government.

A lesser, but substantial issue is cost. As mentioned, for a given caseload, workfare usually costs more than plain welfare, at least at the outset. The states that currently impose workfare have financed it fairly easily with a combination of welfare, WIN, and other training monies. But most of these programs cover only the employable among new applicants for AFDC and usually not all of them. The added cost would be greater if all employable applicants and recipients were covered. How much greater is difficult to say, since it is uncertain how recipients would react. If they all waited to be obligated, did nothing for themselves, and were placed in government jobs, a vast public employment structure would be needed. If they all took private sector jobs, costs might even be lower than now, because of welfare savings from earnings. An outcome in the middle is likely. One plausible estimate, by the Ways and Means Committee, is that a serious work program covering the whole caseload would cost $2 billion.[20]

While that is much less than CETA, the major public employment program of the 1970s, it clearly raises an issue in the current fiscal climate. There is danger that even existing training funds, on which workfare has relied, will be eliminated due to budget balancing under Gramm-Rudman-Hollings.

Another major challenge is administrative.[21] To implement serious work requirements would be a strenuous test for existing work and welfare programs at the local level. Handling the increased caseload is only one aspect. Such a policy would have to overcome the considerable resistance, both political and bureaucratic, that these agencies have shown to past work requirements, helping to explain their poor record. While the political climate in welfare is more conservative than a decade or so ago, the priority in welfare administration is still to avoid errors

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[20] Rein, *Dilemmas of Welfare Policy*, p. 81.

[21] The following discussion summarizes *Beyond Entitlement*, pp. 135-47, 182-6.

in grants payment rather than to use work to divert people from welfare. Employment programs have not generally given a high priority to mandatory welfare clients, preferring to serve jobseekers who come to them voluntarily. To overcome these impediments from the federal level is difficult, given the frictions inherent in the intergovernmental system.

To overcome the inertia will require a sustained effort at administrative development, not something American government is good at. Washington has to make clear a will to enforce work, and local officials must be made to carry it out. One mechanism here must be stronger fiscal sanctions to force local programs to work actively with more of their caseloads; under WIN, they have to serve no more than 15% of the employable clients. Another need is a number of legal changes to make it easier to obligate the recipients to participate.[22]

The key to successful implementation is voluntary compliance. Once the work mandate is clear to staff and clients alike, they are more likely to conform without pressure, cutting both costs and administrative problems. Voluntary compliance is what makes the income tax system so much more efficient than welfare work. Many of the same poor people who fail to work regularly and face no pressure to do so pay their taxes honestly without prompting, because the obligation is accepted and enforced. While the IRS faces rising tax evasion, it still has to monitor many fewer cases to achieve compliance than work programs would at the outset.

Achieving voluntary compliance is a complex process requiring both political leadership from the top and strong administrative sanctions over a considerable time. It is no accident that the new work programs that have achieved the highest participation are in localities--San Diego and West Virginia--with a long commitment to welfare employment. Work by the dependent will become usual only when it is seen as an inviolable adjunct of welfare--as inevitable as "death and taxes."

In view of the challenges, a political commitment to workfare should be combined with administrative caution. The AFDC law should be changed to mandate active participation in work or training for all employable recipients, but the implementation should be phased in. Raise the share of the employable that work programs must obligate to participate from 15% to perhaps 30%, with gradual increases after that to 50% or more, alongside appropriate funding increases. To obligate half the employable to work or train is probably feasible, and it would establish work rather than nonwork as the norm on welfare, the threshhold needed to promote voluntary compliance over the longer term.

In contrast, the Administration has proposed to cut funding for WIN, yet to raise the participate rate required of states to 75%. In the short term at least, it is contradictory to seek more welfare work and expect funding to fall, and 75% participation is impracticable.

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[22] For details, see *Beyond Entitlement*, pp. 144-6.

To mandate work is a new venture in American social policy. Many politicians and administrators find it distinctly uncongenial. It violates our traditional conception of government as the servant and not the master of the individual. But for the long-term poor, such requirements seem essential to functioning and, thus, to social integration. Welfare work will be enforced when our leaders accept, as the public already seems to, that it is essential to greater equality in American life.

Representative LUNGREN. Next we will hear from Mr. Lowell Gallaway of the Department of Economics at Ohio University.

STATEMENT OF LOWELL GALLAWAY, PROFESSOR, DEPARTMENT OF ECONOMICS, OHIO UNIVERSITY

Mr. GALLAWAY. Thank you, Congressman. I thank you for inviting me to testify before the subcommittee today.

The topic, "Workfare Versus Welfare," is an important one, and in many ways it stands at the center of the growing national debate about the viability of the present welfare system in the United States, a debate that is rendered all the more important by the President's call for a rethinking of the role of welfare in American life.

In my remarks I wish to focus on three basic questions:

One. Has the existing system made a significant contribution to reducing poverty in America?

Two. What does our limited experience with workfare-oriented programs tell us?

Three. In light of the answers to the first two questions, are any obvious changes in the present set of arrangements suggested?

As to the first question, I think the available evidence argues very persuasively that our existing welfare system has not led to a reduction in the incidence of poverty in the United States. Quite the opposite. Ever since the early 1970's welfare benefits in this country have, on balance, led to increases in proverty rather than decreases.

Why has this happened? The answer is fairly simple. As the level of available benefits escalated in the wake of Lyndon Johnson's announcement of a war on poverty in the mid-1960's, the implicit subsidy to nonwork activity increased. And, as we know, when you subsidize something you get more of it. In this instance the more translates into less work effort among many of the recipients of welfare benefits. This reduction in work effort has had the effect of shifting many people from nonpoverty to poverty levels of money income.

I and my colleague at Ohio University, Richard Vedder, have presented the evidence to support this argument in a number of forums. For this hearing we have summarized our findings in a brief technical submission which I request be made a part of the hearing record.

The essential thrust of our findings can be summarized in the simple statement that, in 1984, at the least some 5.7 million individuals were recorded as being in official poverty simply because of the attractiveness of the array of welfare programs that were available to them. This amounts to about one person out of every six living in official poverty.

The history of our experience with the conventional welfare system clearly suggests that it is not a particularly effective vehicle for eliminating official proverty in the United States. What about the alternative under consideration at this hearing, workfare?

Before attempting to answer that question, I must point out that the term "workfare" has different meanings for different people. To some it means a work or else approach with the emphasis being

on exerting pressure on welfare recipients to engage in work activity. To others, it means creating positive incentives to induce those on the welfare rolls to enter the labor market.

The second of these certainly has a pleasanter ring to it. However, our interest is not in the niceties of how we describe a program. The important thing is the end result, the effectiveness of an approach in, one, reducing the welfare burden borne by American citizens and, two, bringing the poor into the mainstream of American economic life, into the world of work.

Some insight into the relative success of these two different philosophies of workfare can be obtained by examining the recent workfare experience of the State of Massachusetts. It is especially useful because it closely approximates a controlled experiment.

In the years 1981–82, a relatively stringent approach to the broadly used term "workfare" was the rule and the results were dramatic: the welfare rolls were reduced very significantly.

At the end of this period, there was a change of administrations and a more benign approach to encouraging an exchange of work activity for welfare benefits was adopted. This is the much ballyhooed ET program. Its central feature is a benefit package that approximates $2,800 a year for those on welfare who are placed in a job. The impact of ET has been as dramatic as that of its predecessor. The decline in the size of the welfare population virtually ceased, despite a quite vigorous Massachusetts economy.

To be sure, there has been a substantial volume of job placements through the program. However, this appears to be simply the product of a churning of the low-income population through the welfare system. People who normally would have obtained a job without being a part of the welfare system now find it attractive to go on welfare before finding their job: $2,800 in benefits is $2,800 in benefits.

An excellent analysis of the Massachusetts experience is contained in two of Warren Brookes' syndicated newspaper columns, and I ask that they also be incorporated in the hearing record.

What is to be learned from Massachusetts? Simple. For workfare, broadly defined, to be a useful approach to dealing with the welfare problem, it must be designed and administered so that it pressures those on the welfare rolls to seek work. In short, a push seems to be required rather than an enticement.

This may seem to suggest a hard-hearted, insensitive attitude toward those in distress. But, do we really do any favors for our welfare population by creating programs that encourage welfare dependence?

The available evidence indicates that over one-half of the welfare population at any point in time have been on welfare for 8 years or longer. These people represent a subclass of our society that is detached from the mainstream of economic life in America. Many of them are young. How are these individuals to acquire the work experience that would offer them the possibility of upward mobility in our society if we make life on welfare more attractive than life in an entry level job in the labor market?

To illustrate how far we have come in this direction in some parts of the United States, consider that, recently, legislation was introduced in California to cap welfare benefits in that State at the

level of the starting wage rate for Californians. This would involve significant reductions in benefit levels. Is it any wonder that we are developing a permanent, welfare dependent, underclass in the United States?

This brings me to the last question I set for myself: What kinds of changes might be made in the existing welfare system?

For one thing, it seems apparent that somehow we must restructure what we have with an eye toward encouraging work activity by decreasing the attractiveness of the package of welfare benefits. There are two dimensions of benefits to consider in this regard: their level and their permanence. The latter may be as important as the former in discouraging people from seeking a work alternative to the welfare system.

Conceptually, we can view welfare as either, one, a permanent way of life for a portion of the population or, two, a temporary safety net designed to assist people through a period of economic distress brought on by some change in their life.

If the safety net, or temporary, view is taken, we can make immediate strides in reforming the welfare system by approaching it much as we do unemployment compensation; that is, by defining maximum periods of eligibility for benefits, say 6 months to a year. Also, there could be a gradual phasing down of the level of benefits as time passes. This would alleviate the short-term hardships involved in making transitions from one life situation to another.

However, it would also suggest the need for planning ahead for reentry into the world of work and provide a substantial push in that direction. Thus, such a policy would have a workfare dimension to it, a characteristic achieved by altering the perception that exists in the mind of many welfare recipients that the payments may go on indefinitely.

This is not a panacea, a cure-all. There would still remain the problem of a hardcore poverty group that might find it simply impossible to function in the setting of the workplace. These would have to be dealt with through more specialized programs which, admittedly, would need more stringent eligibility conditions than exist in the present welfare system.

The intent is not to design a program devoid of a humane reponse to individual distress. Quite the contrary. Hopefully, what we have in mind is a system that will provide people with a helping hand during periods of personal economic distress without attracting them into a permanent state of welfare dependency.

[The information referred to for the hearing record by Mr. Gallaway follows:]

DISINCENTIVE EFFECTS AND WELFARE: A SUMMARY

by

Lowell Gallaway and Richard Vedder
Ohio University

Once more poverty has become a major issue in American political life, largely because of a remarkable turnabout in the behavior of the poverty rate since the early 1970's. What are the facts? Begin in the early 1950's. According to the accepted "official" definition of poverty, the poverty rate for the United States in 1953 was 26.2 percent. From that level, it fell to an historic low of 11.1 percent in 1973, stayed in the range of 11.2-12.3 percent through 1979, and now (1984) stands at 14.4 percent. A simple comparison of 1979 to 1984 shows that the poverty rate rose from 11.7 to 14.4 percent, an increase of 23 percent. What happened to produce this reversal in the trend of the aggregate poverty rate?

To answer that question, let us go back in time - back to the early 1960's, when poverty was "rediscovered" in the United States. At that juncture, it became popular to argue that poverty at mid-twentieth century had become "structural" in character, meaning that the "poor" had low income levels because they had lost contact with the mainstream of American economic life.[1] From the standpoint of public policy this is a significant contention. If true, it means that meaningful

strides in eliminating poverty cannot be made by simply stimulating economic growth. As Tom Wicker put it in 1967, "... the aim of getting everyone off welfare and into participation in our affluent society is unreal and a pipe dream ..."[2]

The "structural" argument received powerful support from the intellectual community in America, partly because, not unlike today, it represented a potential "cause", an issue to be raised in the seemingly never ending negative critique of the American economy. Structural poverty implied a defect, a shortcoming that would need "fixing". And, of course, the repairman would be government, the federal government in particular.[3]

That was some twenty or more years ago. What has happened since is a fascinating tale, full of twists and turns. To begin, there is the already described pattern of movement in the official measure of poverty, the poverty rate. But, more important, the rhetoric of the "structuralists" triumphed in the public arena and the federal government did, indeed, become Mr. Fixit, as exemplified by Lyndon Johnson's War on Poverty. This set in motion a monumental escalation in the magnitude of federal government programs aimed at assisting the low income segment of the population. In the ten years following 1963, the per capita burden of federal public aid programs (in constant dollars) roughly quadrupled.[4] This increase coincided with the persistent decline in poverty that took the national poverty rate to its all

time low of 11.1 percent. At first glance, this might seem to indicate that the public aid programs had been successful in eliminating poverty. However, the experience of the next six years indicates otherwise. Real per capita federal public aid increased by another 40 percent by 1979. Yet, with roughly similar economic conditions, the poverty rate not only failed to decline further, but actually rose slightly (to 11.7 percent).

What happened? The answer is a simple one. The well recognized economic principle that if you subsidize an activity, you will get more of it began to assert itself. As public aid, or welfare, expenditures increase, two things happen: (1) For some people there is an income enhancing effect that tends to move some of them out of the poverty condition. (2) For others, there is a disincentive effect which causes them to reduce the amount of their work effort and earned income, shfting them below the official poverty level of income. The greater the availability of welfare benefits, the stronger will be the disincentive effects. That this is what occurred is confirmed by standard statistical analyses of the relationships in question.[5] Put simply, after controlling for other factors that influence the level of poverty, such as the unemployment rate and the amount of real economic growth, the following are true:

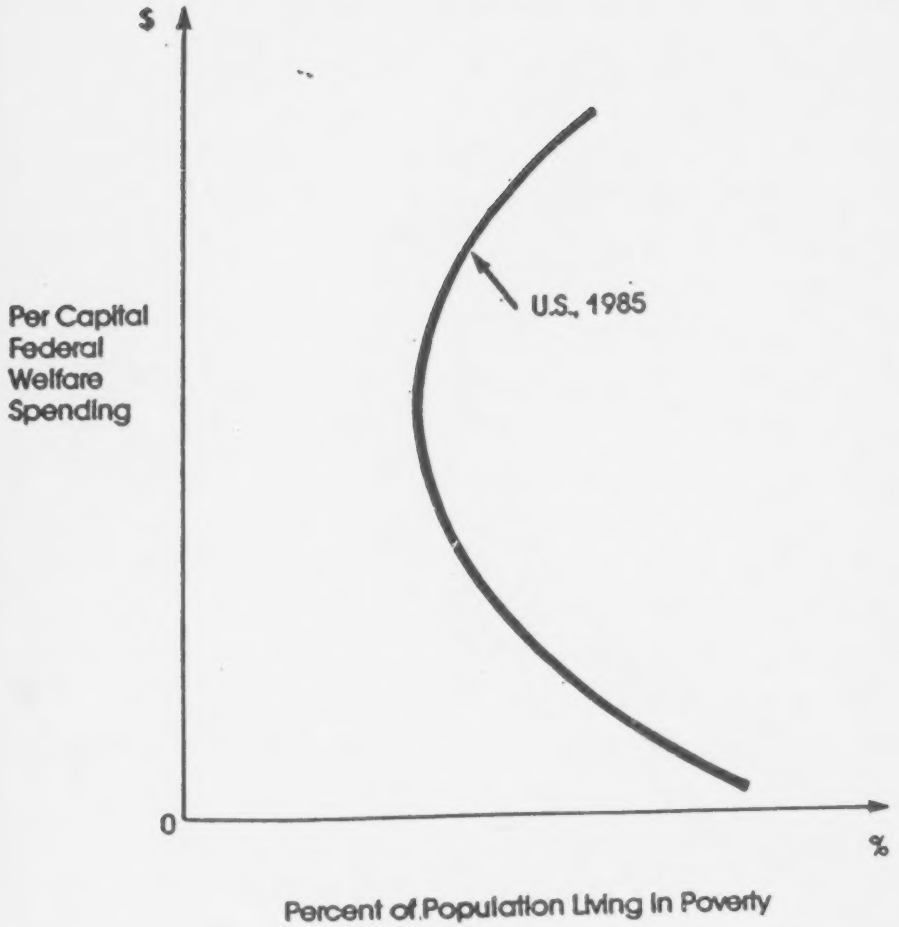
1. When federal public assistance to the poor was relatively small, increases in it had the intended effect of reducing the amount of poverty.

2. As assistance increased in magnitude, though, the disincentive effects associated with it became strong enough to overwhelm the income enhancing effects and increases in aid caused more, not less, poverty.

This analysis indicates the existence of a relationship between poverty and welfare benefits similar to the now familiar Laffer Curve in the area of taxation. At low levels of public assistance, additional aid reduces the observed amount of poverty. However, beyond some critical threshold level of aid, further increases in assistance actually produce more - not less - official poverty. Such a relationship, called the Poverty-Welfare Curve, is shown in Figure 1. The particular curve shown there is "typical" of a number of statistical models that we have estimated.^ On it, the current level of public aid expenditures in the United States (based on the most recent available data) is shown. Roughly, the volume of public aid in the United States is now about one-third greater than the level of aid that would minimize the official poverty rate. This "excess" of welfare type expenditures has had the effect of luring some 5.7 million people into official poverty. If aid levels were what they were in the early 1970's, the official poverty rate for 1984 would be 12.0 percent rather than 14.4 percent.

The "New" Structural Poverty

The additions to the ranks of the poverty army that have been produced by the massive increase in public aid expenditures


$
Per Capital
Federal
Welfare
Spending
U.S., 1985
0
%
Percent of Population Living in Poverty

constitute members of a new "underclass" in America, a group that is largely divorced from the mainstream of economic activity in this country. The creation of jobs for these people is of little consequence.[6] In recent years, some nine million new jobs have been created in the United States, many of them entry level positions in society. But, job opportunities are not the problem for this underclass, especially jobs at the entry level. They can already do better through the welfare system than through the labor market.[7] As Professor Walter Williams of George Mason University puts it in his syndicated newspaper column, "The poor may be poor but they are not stupid."[8]

This "underclass" that has evolved represents a "new" form of structural poverty. It differs significantly from the earlier notion of structural poverty which was based on the idea that people were locked in poverty involuntarily, due to their lack of access to sources of labor market income. Now, the origins of a significant portion of poverty lie in people voluntarily reducing the extent of their labor market activity in response to the availability of welfare benefits. Today, we are confronted with what may be thought of as poverty by choice in the United States. The ironic aspect of this "new" structural poverty is that it results from a set of public policies that were a response to the supposed existence of structural poverty of the classic type. In a very real sense, the "new" structural poverty we face today is

the product of the structuralist argument of yesteryear, representing, more or less, a self-fulfilling prophecy.

Additional Evidence

There is more to the story of the working of disincentive effects than the behavior of the aggregate poverty rate over time. A number of different studies using individual, rather than aggregate, data confirm the importance of disincentives. Perhaps the most significant are the various Income Maintenance "experiments" that have been funded by the Federal government.[9] These were designed specifically to explore the nature of low income people's labor market responses when placed in a situation in which they are receiving direct money payments that do not depend on the amount of income they earn through work activity. The results of those experiments are in and they show very clearly that direct money income payments tended to reduce the volume of work effort of the participants in the exercise.[10]

In addition to the income maintenance studies, similar evidence has been reported by Sheldon Danziger and Robert Plotnick.[11] They examined data for a panel of individuals in the years 1967 and 1974. In 1967, they found that the income enhancing effects of some $ 12.6 billion dollars (1983 prices) of welfare payment income outweighed the disincentive effects sufficiently to produce a 0.7 percentage point reduction in poverty among families headed by a person aged 20-59. In this

rang , each billion dollars of welfare payments, on average, reduced the poverty rate by .056 percentage points.

By 1974, the volume of welfare payments under examination had increased to $ 26.6 billion dollars (again, in 1983 prices). The total impact of these expenditures on the poverty rate was now a reduction of 1.0 percentage points. The additional $ 14 billion in welfare payments had yielded only a further decline in poverty of 0.3 percentage points, .021 percentage points per billion dollars. Clearly, the disincentive effects were becoming stronger relative to the income enhancing effects and the threshold level of aid was being approached.[18]

Equally compelling as evidence of the working of disincentive effects is the pattern of behavior of poverty rates in the various states of the United States. The pertinent data are contained in the last two decennial censuses. They show a remarkably wide range of poverty experiences. In New York State the poverty rate increased by 20.7 percent between the 1970 and 1980 decennial censuses. At the other extreme, Mississippi, the poverty rate declined by 32.5 percent in this same interval.

Why the differences? An obvious possibility is variations in economic conditions across this decade. Rates of economic growth in the various states differed substantially in this period. In addition, though, there are great variations in the amounts of income available to people through the welfare system.

On the basis of the evidence to this point, it would be expected that disincentive effects would be stronger in those states with relatively high levels of welfare benefits and weaker in those states with low benefits. This is confirmed through a statistical analysis that controls for differences in the rate of growth in real per capita income by state.[13] Very high levels of welfare benefits in a state seem to lead to <u>increases</u> in poverty - not decreases.

There is one further bit of evidence concerning the existence of disincentive effects arising out of the presence of welfare payments. The proportion of a state's population that receives public aid payments (mostly Aid for Families with Dependent Children (AFDC)) is quite variable. A statistical analysis reveals that the size of a state's AFDC payments is an important determinant of the proportion of its population on the public aid rolls.[14] AFDC benefits that are ten percent above the national average produce a public aid population that is seven percent greater than the national norm. This indicates quite clearly that the size of the welfare population depends to a significant degree on the attractiveness of welfare benefits.

Taken collectively, the various pieces of analysis that have been described make a compelling case for the argument that the attractiveness of welfare benefits is creating incentives for low income people to reduce the volume of their work effort. As this

happens, it is inevitable that some individuals who would have non-poverty levels of money income are being shifted across the poverty threshold and into official poverty. Welfare is creating poverty; not eliminating it.

FOOTNOTES

1. Representative works that argued this position are John Kenneth Galbraith, The Affluent Society (Boston: Houghton Mifflin Co., 1958) and Michael Harrington, The Other America (New York: Macmillan, 1962).

2. "The Right to Income," New York Times, December 24, 1967.

3. There was a substantial debate among academics about the validity of the "structuralist" hypothesis with the general consensus being that it lacked substance. See, for example, Lowell E. Gallaway, "The Foundations of the War on Poverty," American Economic Review, March 1965, and James Tobin, "On Improving the Economic Status of the Negro," Daedalus, Fall 1965.

4. Federal public aid consists of public assistance, Supplemental Security Income (SSI), food stamps, refugee assistance, surplus food for the needy, and work experience training programs under the Comprehensive Employment and Training Act and the Economic Opportunity Act. Public assistance expenditures, which include Aid to Families with Dependent Children (AFDC) and Medicaid payments, make up the majority of Federal public aid.

5. For details of the nature of the statistical procedures used, see Lowell Gallaway, Richard Vedder, and Therese Foster, "The 'New' Structural Poverty: A Quantitative Analysis," in War on Poverty - Victory or Defeat?, Hearing, Subcommittee on Monetary

and Fiscal Policy, Joint Economic Committee, Congress of the United States, June 20, 1985 (Washington, D. C.: United States Government Printing Office, 1986), pp. 8-47.

6. In an extension of the work cited in footnote 5, we have estimated some 192 different versions of the statistical model that produces the Poverty-Welfare Curve, including a set that utilizes an alternative compilation of poverty rates developed by John C. Weicher. The Weicher poverty rates adjust the official poverty statistics to correct for certain problems in the calculation of the Consumer Price Index (CPI) in the 1970's and early 1980's. Weicher's poverty rates are reported in Mismeasuring Poverty and Progress (Washington, D. C.: American Enterprise Institute for Public Policy Research, 1985). The results of this "sensitivity" analysis are reassuring. No matter how the model is formulated, the public aid variables have the expected signs and they are statistically significant in over 90 percent of the cases.

7. Illustrative of the nature of the problem in some areas is the fact that legislation has been introduced in California that would place an upper limit, or "cap", on benefits. The "cap" is designed to insure that benefits would not be higher than the average starting wage for workers in California.

8. "Producing Poor Children," Heritage Syndicate, released for publication February 19, 1986.

9. These "experiments", also known as the Negative Income Tax experiments, were a response to growing concern about the possibility that disincentive effects in labor markets were an important consideration.

10. Discussions of the results of these programs may be found in the Fall 1980 issue of the Journal of Human Resources; Robert A. Moffit, "The Negative Income Tax: Would It Discourage Work?," Monthly Labor Review, April 1981; and Charles Murray, Losing Ground (New York: Basic Books, 1984), pp. 150-52. Even earlier, Robert Hall, "Effects of the Experimental Income Tax on Labor Supply," in Joseph A. Pechman and Michael Timpane, eds., Work Incentives and Income Gyarantees: The New Jersey Negative Income Tax Experiment (Washington, D. C.: The Brookings Institution, 1975), provides an analysis that anticipates the later findings. However, it was systematically ignored, even by the editors of the volume in which it appeared.

11. The Danziger-Plotnick findings are summarized in Children in Poverty, Committee Print, Committee on Ways and Means, United States House of Representatives (Washington, D. C.: United States Government Printing Office, 1985), Part I, Chapter V.

12. The Poverty-Welfare Curve clearly indicates that declining "marginal" rates of poverty reduction are to be expected. Thus, the Danziger-Plotnick conclusions are exactly consistent with our analysis.

13. The specific regression equation is as follows:

$$\%\delta P = 8.36 - \underset{(9.82)}{1.38}\ \%\delta Y + \underset{(3.37)}{0.06}\ A, \text{ adjusted } R^2 = 0.84$$

where $\%\delta P$ denotes the percentage change in the overall poverty rate between the 1970 and 1980 decennial censuses, $\%\delta Y$ is the percentage change in real per capita income over the same interval, and A is the level of AFDC payments in a state in 1975. The values in parentheses are t-values for the respective coefficients.

14. The regression equation in this case includes several explanatory variables. The coefficient for the AFDC variable is positive and has a t-statistic of 6.89. The adjusted R^2 for the full regression equation is 0.79.

Chipping away at ET's image

WARREN BROOKES

Ever since CBS's Bill Moyers confirmed the social and economic devastation of the welfare system, liberal Democrats have been scrambling for a new "position."

Many of them have delightedly seized upon the Employment and Training program in Massachusetts — and with good reason.

Not only is ET, in the words of its administrator, Massachusetts Welfare Commissioner Charles Atkins, "the most expensive program of its kind in America," it is the one *least* likely to cut the elaborate social-services constituencies on which Democrats rely.

Lest you think this is harsh criticism: since October 1983 the annualized cost of the Bay State's Aid to Families with Dependent Children program, including ET and the much-abused "Emergency Assistance" (EA) supplement, has *risen* from $420 million to a now-estimated $522 million in fiscal 1986, a 24 percent *increase* in total AFDC costs. Under the previous administration of Gov. Edward King (FY 81-83), those costs were *cut* 19 percent, from $536 million to $420 million.

While $45 million of the 1986 figure represents the annual cost of the ET program (up from only $7 million for the old Work and Training Program — WTP — under the previous administration), actual benefit-costs have *risen* 15 percent, from $413 million to $477 million, despite the placement of 24,000 welfare mothers in full- or part-time jobs.

This is partly because, despite those 24,000 job placements, welfare caseloads in September 1985 (88,758) were only 1,173 below those of September 1983 (89,931) when ET started, after some $50 million in costs. The real cost per net case actually cut from the welfare rolls is more than $100,000.

Under the King administration, from April 1981 to January 1983, the welfare caseload was slashed from 123,590 to 90,280, or 33,310, a 27 percent cut in just 18 months. This was thanks to a combination of the Reagan 1981 welfare law changes, and what now-Gov. Michael Dukakis then charged were "draconian" methods of making all recipients seek work or lose benefits (the WTP program).

As soon as he returned to power in January 1983, Mr. Dukakis invited in the major welfare-spending advocates (who had helped to elect him) to help him "reform" the system.

First, they killed off both the WTP and welfare-reduction program. Then they "uncapped" the EA benefit program, nearly tripling its cost exposure and use, from $13 million (FY 1983) to $38 million (FY 1986).

Finally, they wrote the ET program for Mr. Dukakis, turning it into a massive, non-compulsory package of education, employment counseling, one-year's free child care, $10 a day for transportation, and four months' free Medicaid for those placed. All of which adds up to a 1986 average cost of about $3,500 per placement, more than five times the $670 per-placement cost of a similar program in Pennsylvania, where welfare caseloads dropped 3 percent.

At the same time, the advocates got Mr. Dukakis to use the supposed "savings" of ET to support a 9 percent cost-of-living increase in benefits in 1985, and another 10 percent now being asked for July. Finally, they made it legal for newly pregnant mothers to get full benefits in the first two trimesters of pregnancy, a perfect prescription for the kind of family destruction CBS presented on television.

Not surprisingly, the rapid 27 percent reduction in caseloads un-

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IS ET REALLY WORKING?

Massachusetts welfare trends 1981-85 in millions of dollars (annualized)

	AFDC Families	AFDC Benefits	WTP-ET Costs	Total AFDC	Total Welfare
BEFORE ET					
1981 Sept.	121,140	$531	$5	$536	$1,740
1983 Sept.	89,931	413	7	420	1,801
Percent Change	– 26%	– 26%	+40%	– 22%	+4%
AFTER ET (ET program began late October, 1983)					
1985 Sept.	88,758	$477	$45	$522	$2,119
Percent Change	– 1%	+9%	+471%	+24%	+18%
1987 Budget Proposal		530	56	586	2,280

Sources: Mass. Budgets & Dept. of Public Welfare; Dept. of Health & Human Services.

Chart by Paul Woodward / The Washington Times

der Mr. King ground to a near halt. And this year, *new* case applications are running 8 percent *ahead* of last year's, in a booming economy in which the state unemployment rate has fallen from 7 to 3 percent.

In short, more than 90 percent of the 24,000 supposedly placed in jobs have already been "replaced" by new applicants to the welfare system. And with the kind of ET benefits being offered, it has become a very attractive subsidized path to a plentiful job market.

So plentiful, in fact, Mr. Atkins admits, that of the 1,500 AFDCers who get jobs every month, only *half* do so through ET. Critics charge that a good share of those going through ET are the "easily employable" who are simply responding to the "bribe" of some $2,800 in day care and clothing benefits that ET offers.

"Look," Mr. Atkins says, "if free day care is the only thing keeping them from the job market and independence, we think it is a very positive and cost-effective incentive." But, he also admits that they do not yet fully know whether some of the placements won't start returning to the AFDC rolls after the free day care runs out. "We are still developing numbers on this."

Some welfare workers charge they are being pressured to get the non-ET job-finders to sign a form giving ET the credit in return for the $100 clothing and $10-a-day transportation bonuses.

How then can Massachusetts officials claim that ET has "saved" $70 million to $109 million so far? The answer: they "project" that without ET, the caseload would have *risen* to 96,000 or more by now.

The problem with that thesis is that since 1983, Michigan, with *no* major employment training program and an unemployment rate of nearly 9 percent, has cut its welfare caseload from 243,930, to 218,422 (11 percent). In addition, Michigan's new applications are *down* 18 percent, and its total AFDC costs (FY 1983-86), including EA and training, have risen only 6 percent, compared with 24 percent in Massachusetts.

If the purpose of ET is to *cut* the welfare rolls, it is a costly and unproven experiment. If, on the other hand, its purpose is to create new voters for liberal Democrats, it's a giant success.

WARREN BROOKES

Duped by Dukakis?

Ironically, several Democratic governors are suddenly becoming national political figures *because* of policies instituted by President Ronald Reagan — policies they *opposed* which have boomed their economies and given them more control than ever over their fiscal destinies.

One example is Massachusetts Gov. Michael "Duke" Dukakis, who is currently milking the public relations value of one of the nation's most robust state economies.

The "Duke" is also reaping major national media acclaim for his state's Employment and Training program for welfare recipients. Mr. Dukakis cites ET as the major reason for the state's astonishing welfare caseload reduction from 123,100 to 88,758 last September. The program was suddenly "hyped" as a result of the Bill Moyers CBS documentary, and President Reagan's recent call for "welfare reform."

Yet, what few in the national press know is that all but 2,000 of that 35,000 decline occurred from July 1981 to January 1983, when the Duke was *out of office*. And it was entirely the product of a combination of Mr. Reagan's 1981 modifications in welfare policy and a fairly draconian "find-work-or-else" program pursued by the Duke's conservative predecessor, Democrat Edward J. King — a get-tough program Mr. Dukakis savaged during the 1982 election, then quickly killed.

Indeed, it can be argued that Mr. Dukakis's abandonment of Mr. King's compulsory work-welfare program for the current plush and voluntary ET program virtually stopped the massive reduction in AFDC (Aid to Families with Dependent Children) caseloads. From October 1983 (when the new ET program started) to October 1985, caseloads dropped a mere 1.3 percent (1,147). In comparison, in Michigan, for example, caseloads fell 11 percent in the same period — without an expensive ET program.

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At the same time, the two primary reasons for the astonishing Massachusetts economic turnaround from '70s "sluggard" during Mr. Dukakis's first term (1975-79) to '80s "superboom" were the 17 percent reduction in the state's tax burden (1978-84) and Mr. Reagan's massive defense buildup (more than 6 percent of the total defense spending is in Massachusetts, which has only 2.5 percent of the total population). Both of these were publicly opposed by the liberal Duke.

When the voters first threw Mr. Dukakis out of office in 1978, the state's personal income was one of nation's five *slowest-growing*. It had fallen almost 8 percent in national share, while the state tax burden had risen to one of the five highest, thanks in some measure to Mr. Dukakis's massive 1975 tax increase.

But, from FY 1979 to 1983, under Mr. King, state real spending was virtually frozen. Proposition 2-12, the property-tax-cutting measure, was passed over Mr. Dukakis's loud,

THE MASSACHUSETTS ECONOMY — SUPPLY SIDE STORY?

	Tax Burden % of Personal Income	Tax Burden Per Cap inc. % of U.S.	Unemployment % of U.S.	AFDC Cases (Sept.)
Tax Burden and Welfare Rise-up 1970-1978				
1970	14.2%	97.3%	110.2%	94.0%	78,000
1978	17.5%	108.5%	102.0%	100.0%	125,000
% Change	+23%	+12%	-8%	+7%	+60%
Tax Burden and Welfare Reduction 1980-1985				
1980	16.5%	104.4%	106.2%	80.0%	125,300
1983	14.9%	90.8%	113.1%	71.9%	89,931
Post Welfare Reform (ET)				
1985 Est.	14.6%	88.5%	117.0%	53.0%	88,758
% Chg. 78-83	-15%	-16%	+11%	-28%	-28%
% Chg. 83-85	- 2%	- 3	+ 1%	-26%	- 1%

Chart by Dolores Matsuba / The Washington Times

vigorous objections. State and local government employment was slashed by more than 35,000. And, by 1983, the state's tax burden was cut from 8 percent *above* the national average to 9 percent *below* it. The Duke returned to office in that year to find a state whose personal income was now one of the nation's six *fastest*-growing — 13 percent above the national average.

Under the twin spurs of the Reagan recovery and the massive defense buildup, Massachusetts employment really boomed in 1983 and 1984. Its unemployment is now only a startling 3 percent. This also produced a big state surplus of some $330 million in FY 1985.

Then, last fall, under the threat of referendum petitions signed by 137,000 voters, gathered by Citizens for Limited Taxation (the Prop 2-12 people), Mr. Dukakis finally gave up his repeated opposition and allowed the legislature to repeal his own 1975, 7.5 percent income-tax surtax in December.

In short, the Duke, far from his carefully nourished image of economic and fiscal wizard, has been dragged kicking and screaming into the supply-side age by the Reagan Revolution and the national tax revolt. Both have thwarted nearly all his ambitious 1983 statewide spending plans, including an ill-fated attempt to "modify" (read: gut) Proposition 2-12, and his now-discarded plan to create a "state development bank."

In fact, the one — and only — significant "accomplishment" Mr. Dukakis can claim is the ET program, which so far has cost some $70 million to give 24,000 welfare mothers an exposure to the world of real work, an admirable achievement. But its "extra-terrestrial" costs (highest in the nation at well over $3,500 per placement) in rewards (mostly $2,500 in free day care) not available to non-welfare women have made it a highly subsidized path in the state's booming private sector, whose biggest problem is unskilled labor shortages.

That's why ET has helped to spur a shocking 8 percent *rise* in new AFDC applications in 1985-86 during a state economic boom, and why it is raising serious doubts as to its real cost-effectiveness.

As social researcher Charles Murray warned in his book *Losing Ground*, programs like ET tend to *promote* the condition they are supposed to heal, through what he calls "the law of unintended rewards — any social transfer program increases the net value of being in the condition [welfare] that promoted the transfer."

President Reagan and the voters will want to be wary not only of Mr. Dukakis's public relations hype, but of embracing this costly experiment.

Mr. SKLAR. Mr. Congressman, I wondered if you wanted us to interject thoughts now or at a later time.

Representative LUNGREN. Because of what is going to happen over on the floor and I might have to rush over, I would like to get all the statements first and then we will ask for comments.

Thank you very much.

The next person to testify is Ms. Barbara Blum, the president of Manpower Demonstration Research Corp.

STATEMENT OF BARBARA B. BLUM, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.

Ms. BLUM. Thank you. I am very pleased to be here today. In addition to my experience at Manpower Demonstration Research Corp., I served 5 years as commissioner of the welfare department in New York State, which makes the questions that you are interested in particularly pertinent to my own interests.

My remarks today will focus on an experiment which began in 1982. MDRC has been working with 11 States, examining the experience in those States in implementing and operating work programs.

In three of those States we have conducted "process" kinds of studies. In eight, we have had very rigorous experiments randomly assigning welfare applicants and/or recipients into control and experimental groups so that we can measure very carefully the earnings and employment impacts for those individuals and we can follow the cost benefits.

We have been using computerized files from the welfare system, matching those against wage reporting and unemployment benefit files so we can track changes over time. It's a very interesting mechanism which I think States could use to manage their systems internally as well.

Before summarizing the findings from the work that we have completed to date, I would like to create a kind of context. Mr. Chairman, you mentioned the passage of OBRA and the fact that OBRA permitted community work experience to be mandated in States. You discussed the fact that greater flexibility was provided by OBRA and that State welfare departments could actually take on responsibility for administering the work incentive program under the WIN demo provisions.

There was a third authorization, to use grant diversion, and that authorization was strengthened with DEFRA the following year.

States have responded to the provisions of OBRA. Twenty-six States now are WIN demo States. That means that they can decide how they are going to administer the WIN Program, and avoid having dual administration.

Twenty-three States, according to the Office of Family Assistance, had mandatory community work experience in place in January of this year.

Nineteen States have job search programs and 14 States have on-the-job training using grant diversion.

However, before OBRA passed, there were, I believe, profound changes occurring in attitudes about women and work and about work and welfare. After all, this AFDC program was created in

1935 when it was assumed that children needed assistance because their fathers were dead or disabled, and it was also assumed that mothers would need to be in the home, because most mothers were at home caring for children at that point. In 1985, we find that 52 percent of women working have children under the age of 6; and clearly, the public feels now that the presence of a child is not viewed as a barrier to employment for women.

After OBRA, the response within the welfare system was to have administrators increase the linkage of work and welfare and to think more about moving recipients into the working world. In some States, there were mandatory requirements to participate in job search, skills training, or unpaid work experience. In others, like Massachusetts, there was an offering of more opportunities to individuals.

Our findings at MDRC are really focused on four questions:

The first question is: How were mandatory work requirements implemented in those States in our experiment that chose to operate such requirements?

We found that generally the workfare programs were not punitive. We surveyed the participants in the workfare programs, and found that the majority felt that the requirement was fair. We found that the jobs were very much like the public service employment jobs, only part time, and, of course, people were not paid salaries; they had their welfare grant, which in some States is very modest.

Participants did indicate that they would have liked to have full-time jobs, that they felt that the employers in the nonprofit and public sector were getting the better part of the deal.

Supervisors were quite consistent in indicating that the participants were productive, that they performed as well as other entry level individuals in similar jobs.

Second, we found that participation was higher in the programs that we were measuring than we had seen in the past—especially for job search, which was operated in a good many of the States, and which is a relatively simple program component.

Another question had to do with findings of how feasible it is to get these programs up and running. That's a very, very important question as Congress tries to chart the future.

We found in those localities where we worked that it was feasible to implement the programs. As I mentioned, participation was higher in the past.

The objectives of the program were generally met and understood by staff. However, we should be cautious. After all, in no instances was the full caseload involved.

For instances, in San Diego, which has a very large sample, a larger sample, I think, than has ever been used in such an experiment, we were looking at applicants, not at recipients. In West Virginia, there was a focus on males rather than females. The caseload is certainly not all involved in each of these programs.

The other aspect of the programs that is important to understand is that for the most part they are time limited; there tends to be a 3-month requirement. West Virginia is the exception to that case, as that State has an open-ended timeframe.

Questions remain about what would occur if all of the caseloads were required to participate or if no time limit on the requirement had been imposed.

The third area MDRC looked at were the impacts on earnings and employment. These are consistently positive across very different environments, different kinds of programs, but there are some variations and these are complicated to understand because they tend to relate to differences in State grant levels, differences in the economy, and in ranges of practice in applying certain administrative aspects, like the 30⅓.

The fourth area MDRC examined had to do with cost benefit. Those results vary, too, although our findings indicate that over a reasonable period of time the initial investment is recovered.

I want to stress that we need to think of the funds expended for these work programs as investments. We shouldn't expect to recover them in a year or two. We will recover them over time, and the time period will vary, as I mentioned, according to grant levels, the state of the economy, and other variations in the localities.

MDRC has found that the Federal Government has invested the most funds in these programs and it receives the greatest benefits, through income tax payments, through savings in Medicaid, food stamps, AFDC.

Continued Federal support is really quite crucial, and that must be stressed at a time when the Senate Finance Committee has recommended no funding for the WIN Program to the States and when localities have little incentive to operate these programs without Federal support. In addition, some of our poorer States would have great difficulty in producing the tax levy funds necessary to operate those.

In closing, I would like to stress that there is a state of readiness in the system. No single approach emerges as preferred, because there are differences in philosophy and capacity and in the economies in various parts of our Nation. I believe that we should be providing strong incentives to build on the interest that exists.

[The prepared statement of Ms. Blum follows:]

PREPARED STATEMENT OF BARBARA B. BLUM

Good morning. I am Barbara B. Blum, President of the Manpower Demonstration Corporation, and I am very pleased to have this opportunity to share with this Subcommittee the results of MDRC's research on a number of programs designed to move individuals off the welfare roles and into paid employment. The questions that you have raised in setting up this hearing are so controversial and so central to the formation of welfare policy, that it is particularly important to use current and solid data in developing answers.

Since 1982, MDRC has been conducting a five-year, multi-state Demonstration of State Work/Welfare Initiatives. In eight of these states, we are performing evaluations using a full experimental design to determine program impacts and cost-effectiveness, as well as addressing implementation issues. In three other states, we have conducted more limited process-only studies.

Before discussing MDRC's findings in detail, I want to make a few comments about the changes that have occured in the welfare system in the 1980s.

Changes in the System

When Congress passed the Omnibus Budget Reconciliation Act in 1981, it permitted a number of very important changes in work/welfare programs operated through the Work Incentive (WIN) program. First, the enactment of the Community Work Experience Program (CWEP) allowed states to operate mandatory work programs for AFDC recipients, requiring them to work off their benefits by performing unpaid work in public agencies or private non-profit organizations. (This is an approach which is usually referred to as "workfare", although the term is also frequently used to mean an

obligation to participate in a work-related activity, not just in a work experience program.) Prior to 1981, such programs could only be run on an experimental basis, and federal approval was not always granted.

Second, the WIN Demonstration provisions of OBRA allowed state welfare agencies to take over full responsibility for administering the WIN program. In the regular WIN program, administrative responsibility had been split between the welfare agency and the state Employment Service. The OBRA change also reduced the federal regulation of WIN programs, and gave states much more flexibility in designing and operating their welfare work programs.

Still another innovation in OBRA was the authorization of grant-diversion funded OJT programs in the private sector. This enables states to use money which would otherwise go into welfare grants as wage subsidies for employers who hire AFDC recipients in on-the-job training positions. Instead of receiving a welfare grant, the individual receives a wage.

States have responded to OBRA by taking advantage of the flexibility offered, restructuring both their program design and administration, in order to strengthen the connection between work and welfare. Among the changes that have been made:

- A total of 26 states have opted to run WIN Demonstration programs, involving the state welfare agency much more directly in operating training and work programs for AFDC applicants and recipients. As a result, staff roles and responsibilities have been redefined, and administrative procedures have been streamlined.

- A number of states are also experimenting with the programmatic approaches authorized in OBRA. According to statistics supplied by the Office of Family Assistance, by January 1986, 23 states had

implemented a CWEP program in some part of the state; 16 were running mandatory job search programs; and 14 states were operating grant diversion OJT programs. Prior to 1981, such programs were operated only on a research basis, if at all.

- Many states also are displaying a new interest in coordinating service delivery with other employment and training systems -- such as agencies operating programs under the Job Training Partnership Act, and education providers.

Taken together, these developments suggest that there is not only considerable diversity, but also considerable innovation, in the work-welfare system in the 1980s. On the whole, states appear to be using the flexibility granted in OBRA, and are experimenting with a variety of program designs, target groups, service priorities, and cooperative arrangements with other service providers. Moreover, they are doing this on their own initiative rather than under federal direction.

Changes in Attitude

These changes in program design and administration can be interpreted to reflect profound changes in public attitudes about women and work and about work and welfare.

When the Aid to Dependent Children program was enacted in the Social Security Act of 1935, it was assumed that most of the recipient children would be living in homes where the father was dead or disabled. It was also assumed that the appropriate role for the mother -- as for most mothers at that time -- was to be at home, taking care of her children. This view of maternal responsibility has been increasingly challenged by the influx of mothers into the labor market. By 1985, 52 percent of all women in the labor force had children under the age of 6. While these statistics may raise some sobering questions about child-care arrangements in America, they also suggest that the presence of children in the home is

no longer seen as a barrier to employment.

State administrators and their staffs have responded to this new environment by designing programs to increase the linkage between work and welfare, and to move recipients more rapidly into the working world. Some have done so by requiring AFDC applicants and recipients to participate in work-related activities such as job search, skills training, or unpaid work experience. Others have tried to encourage participation by offering more opportunities to clients, and broadening the array of services available to AFDC recipients.

The results of a MDRC worksite study based on interviews with participants in mandatory work progams in five states (a sixth is now being completed) illuminate how AFDC recipients themselves feel about work and the work requirement as it was implemented in their states. On the whole, the participants responded favorably to the work assignments: they were satisfied with the positions, felt good about coming to work, and believed they were making a useful contribution. Many, however, thought they were underpaid or that the employer got the better end of the deal. In short, they would have preferred a full-time paid job.

Nevertheless, a majority of the participants in most of the states found the work requirement fair. In addition, a special survey of AFDC applicants in San Diego found that 60 to 70 percent of those who were aware of the 13-week work requirement thought it was fair. An even higher proportion (80 percent) thought the three-week job search requirement was fair.

These results are consistent with other studies that show that the poor want to work and are eager to take advantage of opportunities to do

so. As one of MDRC's field workers remarked: These workfare programs did not create the work ethic, they found it.

Findings on Program Implementation

MDRC findings on the implementation of mandatory work programs in the demonstration states also shed some light on the continuing controversy over whether such an obligation is consistent with the goals of welfare programs and practical to implement.

When CWEP was enacted in 1981, proponents claimed that "workfare" programs would deter individuals from applying for welfare if they were earning unreported income or if they were simply unwilling to work. They also argued that workfare positions would help move recipients more quickly into unsubsidized employment by improving both their work habits and their occupational skills. In addition, supporters of workfare argued that the work experience positions would yield valuable products for the community.

Critics, however, claimed that it would be impossible to implement a mandatory work program at a sufficiently large scale. They doubted that there would be an adequate supply of quality worksite positions, and feared that the workers would wind up in degrading, make-work positions that would do nothing to enhance their skills. Thus, they doubted that either the community or the worker would benefit much from the program. Moreover, critics feared that the program would be implemented in a punitive manner, and that individuals with legitimate reasons for non-compliance might be unfairly sanctioned.

To understand how these programs were being implemented in practice, MDRC conducted a series of interviews with program participants and their supervisors in the six states in our demonstration that were running

mandatory work experience programs. The results from the first five studies completed indicate that mandatory work programs, as implemented in these states, do not fulfill the more extreme predictions of either critics or proponents.

The programs do not appear to have been designed or implemented with punitive intent. Nor were the work assignments degrading, as many critics feared. Instead, they were essentially entry-level positions, designed to provide a useful work experience, and produce something of benefit for the community. In this respect, the worksites often resemble quality Public Service Employment positions. Supervisors, as well as participants, considered the work to be valuable to the organization. Supervisors also rated the participants' productivity and attendance similar to that of most entry-level workers.

As already noted, on the whole, the participants also reacted favorably to the work assignments and found the work requirement fair, although many felt they were underpaid and that their employers were getting the better end of the deal.

On the other hand, there is little evidence to support the more extreme claims of proponents. The work positions have not provided much in the way of skills development, largely because most participants had the required skill level for the assignment when they started. Nor, to judge from the evidence in San Diego, did the work requirement have much impact on reducing welfare roles by deterring applicants or "smoking out" large numbers of AFDC recipients who held jobs with unreported income.

MDRC's research indicates that, in most states, participation in the mandatory programs was higher than the participation rates found in earlier

demonstrations or in the regular WIN program. However, the actual rate varied from state to state and from component to component. Participation levels were also higher, in general, in job search programs, and lower in work experience programs that were part of a sequence or where there were other activities for clients to engage in.

Thus, while MDRC's findings point to the feasibility, in certain circumstances, of running mandatory programs for a substantial subset of the AFDC caseload, questions remain about feasibility and replicability in other circumstances. It is important to note that these programs were not designed to serve the entire AFDC caseload. Nor, in most cases, were they intended to impose an on-going participation requirement. Thus, questions remain about what would happen if participation were required of larger segments of the caseload, or if the obligation to participate were open-ended. Among the unknowns are the system's capacity to provide the required levels of staffing and funding, its ability to develop adequate CWEP slots, and the extent of displacement which larger scale initiatives could create.

Findings on Program Impacts

MDRC's recently completed evaluations of three programs -- in San Diego, California; Baltimore, Maryland; and two counties in Arkansas -- suggest that a number of different program approaches can lead to increases in employment, and in some cases, to decreases in welfare dependency. Moreover, the programs were cost-effective, in general, with savings exceeding program costs within several years.

The programs in these three states varied. In San Diego, welfare applicants were required to participate in either 3 weeks of a job search

workshop, or a job search workshop followed by 13 weeks in unpaid work experience. The Arkansas program for AFDC applicants and recipients consisted of manadatory job search followed in some-cases by short-term, unpaid work experience. In Baltimore, welfare applicants and recipients were expected to participate in one or more activities including job search, unpaid work experience, education, skills training or OJT.

MDRC used an experimental design, involving random assignment of program eligibles into experimental and control groups, to test the impact of each program. By tracking how the experimentals, who were eligible for program services, fared in terms of earnings, employment and welfare receipt over time, and comparing them at given points with a control group which had similar demographic characteristics, but was not eligible for the program services, MDRC was able to estimate what difference each program made on earnings, employment and welfare dependency.

In all three locations, we found that the experimental group experienced greater increases in employment and earnings than did the control group during the follow-up period. Across all three sites, employment rates of experimentals increased by 3 to 8 percentage points, compared to controls. In San Diego, the percentage of enrollees employed was 10 percent higher than for the control group; in Arkansas, there was a 3½ percent difference; and in Baltimore, a 16 percent difference.

There was some evidence from the San Diego study that the addition of a short-term work experience component following job search increased the employment, and especially the earnings, of AFDC recipients who did not find jobs in job search. It should be noted, however, that the AFDC population enrolled in San Diego is somewhat less disadvantaged -- in terms

of education levels and prior work history -- than the welfare population as a whole.

The impact on welfare receipt was somewhat more mixed. Compared to controls, welfare payments of experimentals were reduced by 8 percent in San Diego, and 15 percent in Arkansas. In Baltimore, however, there was essentially no impact on welfare receipt. Much of the differential impact on welfare payments across the sites has to do with differences in the level of AFDC benefits, the standard of need, and the income disregard procedures used in the states.

In all three programs, the greatest gains in employment and earnings increases were experienced by those clients who had the least prior work experience. These are the clients that programs are often most reluctant to work with. It is important to note that this does not mean that this group had the highest placement rates in the program; rather, they showed the greatest percentage change compared to controls. These findings indicate that it is important that work programs be targeted to those with little prior work experience as well as to those who seem able to move quickly into the labor market.

While the impact findings may seem relatively modest, it should be remembered that they are expressed as averages for a large segment of the caseload and include non-participants as well as participants. Thus, even relatively small changes -- multiplied by a large number of people -- can have considerable policy significance.

Findings on Cost-Effectiveness

MDRC's benefit-cost analysis of the programs operated in San Diego, Baltimore and Arkansas shows that, in general, the programs were

cost-effective, with savings exceeding program costs within several years. In other words, the programs paid for themselves within a few years.

MDRC also examined the separate effects of the programs on welfare recipients and on the rest of society (the "taxpayers"). For the recipients, the relevant question is: Did they come out ahead or behind when their changes in earnings are compared to changes in the taxes they paid and the transfer payments they lost? For the taxpayers, the appropriate question is: On balance, did the taxpayers save money or have to pay more for the new program?

Our findings show different results in different locations. In San Diego, both participants and taxpayers came out substantially ahead, while in Arkansas and Maryland the results were mixed. In Baltimore, the primary gainers were the participants, and the taxpayers broke even. In Arkansas, the taxpayers drew the greatest benefit from the program; recipients were apparently no better off financially. These differences in all probability relate to variations in grant levels and eligibility criteria, variations in program design and costs, and variations in local wage rates and labor market conditions.

It is very important to realize that, while these programs will pay for themselves within a few years, in the short-term they will cost money. The savings derived from higher earnings, increased taxes paid, and decreased welfare and other income transfer costs take time to accrue.

The cost per experimental of operating the programs was generally modest, although it varied by component and over the three sites, ranging from a low of $165 in Arkansas, to a high of $1,050 in Maryland. (Costs per experimental represent the costs of the program averaged out over

participants and non-participants alike.) San Diego spent an average of $580 per experimental to operate registration, assessment, and job search. The average cost of the work component was about $100 per experimental. The cost of the mandatory work component for actual participants was about $640.

MDRC's analysis also contains important findings about how the budgetary impacts of the program are felt at different levels of government. In general, the federal government provided the greatest share of program costs, and also reaped the largest benefit in terms of budget savings. The state and local contribution was substantially less, and less of the savings accrued to these government entitites.

These findings suggest that if federal funding were eliminated or substantially reduced, the state and county would have little or no financial incentive to operate the program. This is particularly true for poor states, which have difficulty in raising tax levy resources to finance programs. This underscores the important role that federal funding plays in encouraging states to run welfare employment initiatives that will ultimately prove to be cost effective.

Conclusion

In closing, it may be useful to reiterate a few of the lessons suggested by MDRC's research in its Work/Welfare Demonstration:

- First, a variety of program approaches have proven effective in moving welfare applicants and recipients into employment, and reducing welfare dependency. Because three different programs operated in three different environments achieved quite similar effects, no single model -- including workfare -- emerges as preferred for national replication at this time.

- Second, it appears feasible for states to operate a number of different types of welfare-to-work programs, on a relatively large

scale. The greatest use was made of job search programs rather than, as many had expected, workfare programs. Where mandatory work programs were operated, they did not appear to be either as punitive as critics feared, or as effective as proponents claimed.

- All these programs tended to have their strongest effects on the subgroup which had no prior employment, since those with prior employment histories were more likely to have gotten jobs on their own. This suggests that to be most effective, programs should target such clients and not just work with those who are considered more job-ready when they apply for aid.

- The welfare-employment programs proved cost-effective within a few years, but did cost money to operate in the short-term. Any decrease in federal funding level -- or change in the matching rate -- will reduce the financial incentive for states and localities to run such programs.

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Representative LUNGREN. Thank you very much.

For our final panelist, I am happy to welcome David Swoap, partner in Franchetti & Swoap, also former secretary of the health and welfare agency, State of California, and former Under Secretary of the U.S. Department of Health and Human Services.

STATEMENT OF DAVID B. SWOAP, PARTNER, FRANCHETTI & SWOAP, SAN FRANCISCO, CA, AND WASHINGTON, DC

Mr. SWOAP. Thank you, Mr. Chairman and members. As you have indicated for the record, my name is David Swoap, currently with the government affairs consulting firm of Franchetti & Swoap, located in San Francisco and here in Washington.

I do appreciate the opportunity to be with you here today.

As I have indicated in my short prepared statement, what I would like to do at the outset is share with you some of our experiences in California.

As you know, we were successful last fall in enacting what we hope to be one of the Nation's most comprehensive and carefully structured approaches to the whole question of workfare and to the question of providing meaningful work and training opportunities for welfare recipients.

The GAIN Program, our new acronym on the welfare scene, is called Greater Avenues for Independence. It is one of the keystones of Governor Deukmejian's special message to the legislature that he sent shortly after he was elected to office and inaugurated in January 1983.

Even more importantly perhaps, it's the result of what we were able to forge in California, and that was a major bipartisan consensus on the kinds of major changes that needed to be made in the work and training opportunities in the AFDC Program in the Nation's largest State.

I do want to stress the character of the provisions that went into the GAIN legislation and the fact that the bipartisan consensus was not only possible but emerged as something that was indeed key to the construction of that in a State where the chief executive is Republican and the legislature, as you know, is overwhelmingly Democratic. We found that we could come together on a number of major premises and a number of major conclusions that did not do violence to the basic concept of what we were trying to achieve, which reflects what particularly Mr. Mead and Mr. Gallaway had to say about new expectations and new requirements of public assistance recipients.

As a number of the speakers have indicated this morning, and as you yourself, Congressman, indicated in your opening statement, it was as a direct result of the 1981 reconciliation changes that States for the first time were able to adopt mandatory participation in workfare as a condition of eligibility for AFDC. As you know, it was during that period of time that I was serving as under secretary at HHS, and so I was pleased to participate here in the development of that legislation and then to return to one of the States and to see if it in fact were possible, armed with the new flexibility, to develop a comprehensive workfare model with support from both sides of the aisle.

We have found, as I suggested, not only that it could be done, but that there was far more to unite the so-called liberal community and the so-called conservative community. You will see in my testimony a number of references to that, and frankly, I tend to think those labels, as many people do, are misleading on this issue as well as others, but I tried to do that in kind of a shorthand sense to indicate the various concepts that went into the GAIN legislation.

There was far more to unite these two ends of the political spectrum on this issue than one initially might think. That was because, I believe, in developing the GAIN legislation we moved very carefully to build upon what we believed to be a number of the best elements in a number of the States across the country, as Barbara Blum has suggested. And I want to compliment MDRC for the kind of work they have been doing on the evaluative front.

In developing the legislation we actually went out and surveyed West Virginia, Pennsylvania, Massachusetts, and, of course, San Diego in our own State, and tried to build upon what we felt were the most positive elements and experiences to date. That, in turn, was incorporated into the comprehensive 1985 statute.

Let me first describe what it is. It is basically a broad based major new effort to improve upon the work and training approaches that we have used in the past, which, as a number of the speakers have indicated this morning, have regrettably not been as successful as they should have been. It has emphasis upon both training and workfare. It is both voluntary and mandatory. It is voluntary in the sense that throughout the system the recipient is enabled to make choices. It is at the same time mandatory in that if training is not completed successfully or if the result is training is not completed successfully or if the result is not a fully sustaining job, then participation in public service or nonprofit workfare opportunities will be expected.

Again, I think many of the comments of Mr. Mead were very illuminating on this subject because I think it is this key question of expectation and obligation that is essential to the success of the design of any new program. And so it is throughout the construction of the GAIN Program that we emphasize new expectations, new obligations, but at the same time put them within a context of new opportunities for choice, new opportunities of the recipient to participate in the construction and design, if you will, of his own destiny. So we felt that that was not only politically a desirable solution but one that provides the best possible mix programmatically as well.

In short, GAIN offers a series of options arranged in a sequence that are designed to help recipients find work through new cost-effective and proven methods before any work is required in the community. There is a broad spectrum of varying kinds of training opportunities and training choices that are provided in the GAIN approach, but there is at the end the workfare model that does require participation in community work experience if these prior training opportunities have not been successful either in terms of finding a job for the individual or in terms of the individual's ability or willingness to complete the training. So it is a mix of those two kinds of approaches.

As I said, we learned from a number of States and counties.

In developing the program we emphasized essentially two concepts: targeting and sequence. What we learned through State and local experiments in the 1980's is that in order achieve cost-effective job placement the sequence of activities is as important as the activities themselves so that we can target dollars efficiently to those individuals who need them.

If there has been any theme to what the Deukmejian administration has tried to do with regard to public assistance, it is this key concept of targeting scarce resources to individuals in legitimate need. That is at the heart of what the GAIN legislation does.

For example, Mr. Chairman, what we do at the outset is require registration. At the conclusion of the initial registration there is an initial review of the recipient's requirements and capabilities, and if that person requires remedial education or some kind of clear immediate need, that person goes immediately to remedial education, and there are not dollars wasted upon expensive assessment programs for that individual.

If, on the other hand, it is less clear as to what is required of that person, several things then do happen in sequence.

The individual goes into what is termed "job club," or he may go directly into supervised job search. Again, it was our conclusion that it was important to place that somewhere up front in the programmatic process.

Our experience in San Diego and elsewhere has been that a very high percentage of people, notwithstanding what is often said about the absence of jobs out in the economy, although that has been recovering dramatically in the last few years, themselves find jobs, and we found numbers as high as 30 and 40 percent of this group that were able somehow to find jobs themselves without going through this very expensive and detailed training process.

Then after you go through that with the initial group, you end up with a group for whom you do a much more expensive and detailed assessment program and you go through greater complexity and determine what their needs are.

The next step is then to place that person in a whole series of possible differing approaches to either training or supported work or grant diversion or, in fact, work experience. That is one of the options at that point for the individual.

We found, Mr. Chairman, that the interesting thing is—and again I guess I would depart from Mr. Sklar but agree with some of my other colleagues—that overwhelmingly our experience has been the recipients have been very positive about the work experience option, work experience participation.

When I went down to San Diego, for example, and I unannounced walked into a class that had just been there for 2 days, just started their workfare participation, on the question of whether it should be mandatory or voluntary, I said, "How many of you think this program should be mandatory?" Every single one of them raised his or her hand. They said, "I wouldn't have been here had it not been mandatory, but now that I am here I find what tremendous opportunities this is going to provide me" with regard to enabling the individual to work himself or herself off of welfare.

So our experience has been that once they enter one of these components they do become increasingly positive even on the work-

fare assignment front and that they participate and then move on to an independent status.

It is this kind of sequential targeting and this kind of combination of varying kinds of approaches we think is at the heart of what ought to be and what we hope will be a highly successful program for community work and training in California.

We did learn from San Diego that rather than wasting money up front on training programs for all welfare recipients, as I have indicated, it was far more cost effective to let the marketplace decide first whether the recipient was employable or not.

In GAIN a job search, which is estimated to cost $500 per person, is placed near the beginning of the sequence, as I've said, and then the more expensive components are placed into the program at a later point.

Let me address as well some of the cost considerations, Mr. Chairman, because that question has come up more than once this morning.

We are convinced that the GAIN legislation, properly implemented, properly evaluated, will in fact save far more than it will cost. Annual cost to implement the program, we have estimated, will be about $159 million in California versus savings of approximately $272 million, plus the added benefits that some of the other speakers have touched upon of recipients contributing to the State's tax base. As Barbara Blum suggested, those savings are not going to occur overnight, but we do feel that they will occur by the third year so that rather quickly we will see the State move into the savings column as a result of GAIN.

The reform invests heavily in dollars for day care and administration of education and training programs. It also invests much faith in the private sector and in local government whose active support and innovations will determine GAIN's ultimate success.

In closing, Mr. Chairman, let me just indicate that the Greater Avenues for Independence approach in California is both conservative and liberal. It is mandatory, that is, conservative, and yet incorporates choices for recipients from a comprehensive array of education and training services, that is, liberal. It incorporates job search, favored by both liberals and conservatives, but it places it up front before training, which perhaps could be described as a conservative position. It implements workfare, that is, conservative, but it divides it into two elements: basic, providing work behavior skills; and advanced, providing enhancement of existing skills through careful targeting of assignments to manage these skills, a so-called liberal concept.

So again, as I say, these are not always good tags to put on them, but I think it does show the care to which we tried to go to incorporate the various approaches from both sides of the aisle.

The final observation that I would have is perhaps the strange coincidence that Mr. Sklar used an exact quote from my testimony, which was a woman who testified at the public hearing of GAIN in Sacramento. She described her own experience in a welfare work program, and she said, "You do get out of it what you put into it." We have found that once the recipients do participate in these programs that they become enormously successful.

A further witness, a 42-year-old divorced mother in San Diego, who had been unemployed for 3 years and finally found work through the San Diego job search program, said, "When I got out of there," she said, "I felt I could do anything in the world."

These are the kinds of testimonies I think, Mr. Chairman, that perhaps are even more potent than ours. It is the positive impact of well designed work programs on the lives of welfare recipients themselves that will make the 1980's, in my judgment, the decade for workfare as we now know it. With new freedom to experiment, States are succeeding in helping welfare recipients achieve independence. Further, competition between States and between localities will have a healthy impact as we discover new and innovative ways to help our most needy achieve a goal that has eluded them for two decades, and that is the ability to make it on their own.

Thank you.

Representative LUNGREN. Thank you, Mr. Swoap.

[The prepared statement of Mr. Swoap follows:]

PREPARED STATEMENT OF DAVID B. SWOAP

Mr. Chairman and Members, my name is David Swoap, currently with the government affairs consulting firm of Franchetti & Swoap, located in San Francisco and here in Washington, D.C. I appreciate the opportunity to be with you today, to share with you our experience in California in enacting, last fall, what could be one of the nation's most comprehensive legislative approaches to the subject of workfare. Called Greater Avenues for Independence, or GAIN, it is one of the keystones of Governor Deukmejian's special message to the Legislature on welfare reform shortly after he was elected to office. It is the result of a major bipartisan consensus on major changes which needed to be made in the work and training opportunities which we offer to recipients of Aid to Families with Dependent Children in the nation's largest State.

First, let me indicate that it was as a direct result of the President's initiatives, through the Reconciliation Act, that States for the first time are able to adopt mandatory participation in workfare as a condition of elgibility for AFDC. Prior to this federal change, States could not do so: I was pleased to partici-

pate, as Under Secretary here in Washington, in the development of the enabling legislation and then to return to California to determine if, armed with this new flexibility, a comprehensive workfare model might be developed there, with support from both sides of the aisle.

We found not only that it could, but that there was far more to unite liberals and conservatives on this issue than one initially might think. This is because, in developing the GAIN legislation, we called upon what we believe to be the best in all of the State initiatives to date, incorporating many of the most desirable elements into this comprehensive 1985 statute.

Let me first describe what it is. It is a broad-based, major new effort to improve upon the work and training approaches which we have used in the past, regrettably without the kind of success which we should see in assisting able-bodied welfare recipients to become self-supporting and independent. It has emphases upon both training and workfare. It is both voluntary--in that throughout the system, the recipient is enabled to make choices--and mandatory, in that if training is not completed successfully or if the result is not a fully sustaining job, then participation in public service or nonprofit workfare opportunities will be expected.

In short, GAIN offers a series of options, arranged in a sequence, designed to help recipients find work through new, cost-effective and proven methods before any work is required in the community. In structuring this legislation, we learned from very significant workfare experiments in San Diego County, as well as from related efforts underway in West Virginia, Pennsylvania, Massachusetts, Utah, New York City, and elsewhere. We emphasized

the twin concepts of targeting and sequence. What we learned through State and local experiments in the 1980's is that in order to achieve cost-effective job placement, the sequence of activities is as important as the activities themselves--so that we can target dollars efficiently to those individuals who need them.

We learned from a highly successful experimental work program in San Diego, for example, that rather than wasting money up front on training programs for all welfare recipients, it was far more cost-effective to let the marketplace decide, first, whether the recipient was employable or not. By placing recipients in three-week job search workshops, San Diego was able to place more than 46 percent of its participants into jobs, thus saving taxpayers significant dollars in unnecessary training expenditures.

Therefore, in GAIN, job search, estimated to cost $500 per person, is placed near the beginning of the sequence. Only those unable to find a job will enter another service, such as "grant diversion" (a portion of the person's grant is paid to an employer to help offset the wage), at $800 per placement: "preemployment preparation" (community work experience or "workfare"), at a cost of $1,700: and "supported work" (intensive training for the long-term functionally unemployed), costing $6,000 to $8,000 -- all placed later in the sequence.

GAIN is both mandatory (conservative) and yet incorporates choices for recipients from a comprehensive array of education and training service (liberal). It incorporates job search, favored by both liberals and conservatives, but places it up front, before training, a conservative position. It implements "workfare"

(conservative), but divides it into two elements, Basic (providing work behavior skills) and Advanced (providing enhancement of existing skills through careful targeting of assignments to match these skills), a liberal concept.

With regard to the fiscal elements, we are convinced it will save far more than it will cost. Annual costs to implement the program will be about $159 million, versus savings of approximately $272 million, plus the added benefits of recipients contributing to the state's tax base.

Many past training programs wasted millions of taxpayers' dollars because they failed to target their services to the demands of local communities, and they wasted training dollars on many individuals who often could have found a job without that extra training. Now, under GAIN, local government will be granted new flexibility to forge new partnerships between local businesses and other training organizations to assure that dollars are spent wisely by signing contracts only with those organizations which will assure a permanent, private-sector job at the end of the line.

The reform invests heavily in dollars for day care and administration of education and training programs: it also invests much faith in the private sector and in local government, whose active support and innovations will determine GAIN's ultimate success. But California is confident that this investment will pay rich dividends. As one woman testified at a public hearing on GAIN, describing her own experiences in a welfare work program, "Well," she said, "You get out of it what you put into it."

Ultimately, GAIN is an investment in people. People like the 42-year-old divorced mother in San Diego, who had been unemployed for three years, and who finally found work through the San Diego job search program. "When I got out of there," she said, "I felt I could do anything in the world."

It is the positive impact of well-designed work programs on the lives of welfare recipients themselves that will make the 1980s the decade for "workfare." With new freedom to experiment, states are succeeding in helping welfare recipients achieve independence. Further competition between states and between localities will have a healthy impact, as we discover new and innovative ways to help our most needy achieve a goal that has eluded them for two decades: An ability to make it on their own.

Mr. Chairman, that concludes my formal testimony. I would be happy to answer any questions that you or the Members of the Committee may have.

Representative LUNGREN. Mr. Sklar, I know you wanted to say something in response to each one of the comments, and I invite you to make those.

Mr. SKLAR. Yes, I do. Thank you very much.

In fact, it seems as if I am outnumbered. I guess it is really 3 to 1, because I am sure I don't have that much of a disagreement with Barbara Blum and MDRC's evaluations of many of the programs, because I think our views are very similar in some respects.

There were some very important misconceptions in the testimony of at least three of the other people that I want to go back to and talk about.

The major one is the question that Mr. Mead raised about whether a work requirement, an obligation, as he put it, should be attached. His feeling was that that would accomplish something.

I don't think that is really the question. I think that almost everybody involved with welfare issues understands and accepts the fact that a work orientation should be part of the welfare system. The question is simply what the nature of that work orientation should be, and if it is solely, as Mr. Gallaway put it, a push into the work force, a push to find jobs, then you end up in a very self-defeating mode, because you are dealing with a situation where a minumum wage job will not bring a recipient off the welfare rolls in a good, good proportion of the cases. This is because of the fact that the minimum wage at this point is so low that it doesn't really get a recipient out of poverty.

So the question is not how we motivate people, but whether or not the work attachment that we are talking about is one that legitimately produces a viable job opportunity for people in the work force. Workfare does not do that, to my mind. What needs to be done is a more legitimate investment. So when we talk about a work requirement, that should be interpreted, in my mind, as equaling some sort of a training opportunity, a training assistance element to make it possible for people to get jobs that indeed will get them off the welfare rolls.

Representative LUNGREN. Essentially what you are saying is that people on welfare are just like everybody else. They respond to incentives and disincentives, and if you give them an opportunity to work that is going to pay them less than what they can get on welfare, they are not dumb. They make a rational decision, and unless there is something else involved of a noneconomic nature in that job opportunity they are not going to do it.

Mr. SKLAR. I don't think it's even a matter of making that kind of judgment. I think it is a matter of disenchantment and discouragement. As they see that the only opportunity they have is to remain in a poverty situation, the concept that we all have agreed is an important one, that of motivation, is lost.

A couple of people talked about motivation issues. I don't think that there is a lack of motivation on the part of welfare recipients, and most everybody agreed to that.

Representative LUNGREN. Does that lead us to an opposite conclusion, which is that welfare benefits may be too high?

Mr. SKLAR. I suppose you could make that judgment and you end up with a large population of people who are in the underworld or who are starving to death.

Representative LUNGREN. The reason I ask that is I am the ranking Republican on the Immigraton and Refugee Subcommittee. I spent 8 years on that. If there is one thing that has been made crystal clear to me, it is that, with all due respect to Californians, there is something wrong with our welfare system there when, from the refugee population from Southeast Asia, within 36 months of being in California, 80-some percent are still on welfare and the national average is 50-something percent. If you take California out and do the national average of the rest of the States, it's about 40 percent. So you have twice the welfare dependency in California.

There are a whole lot of things—secondary migration and everything else. But one thing that is crystal clear when you analyze it is that California has higher welfare rates than those other States that have any number of Southeast Asian refugees.

Maybe that has nothing to do with it. I think it has something to do with it there. If you were going to have a group of people that you wanted to make a social experiment on—I am not suggesting that we want to do that or we did that—you couldn't find a better group than the refugee population that came in. You have a whole identified group that comes in from another country, into the United States, and you find in one area, even though they have a very strong work ethic, they have double the dependency rate on welfare than do others.

I know there are some variables involved, but still the overwhelming nature of the difference of twice as much dependency rate in one State versus all the rest suggests to me that we might look a little bit at that.

I am not saying cut all welfare benefits and do as some States do, which is virtually to starve them out in their State to California, and then they have successes because their welfare rates are down. But maybe there is something in between that we might be able to learn from.

Mr. SKLAR. That is a very apt analogy for a different reason, and that is, in a sense, the refugee population is a microcosm of the kinds of difficulties that welfare recipients have. The second language needs are very comparable to the kinds of academic deficiencies that many welfare people face.

The reason that the refugee population has a longer term status on welfare is the fact that they have so many serious social adjustment problems, including language, to deal with. It is a microcosm of the kinds of difficulties that other welfare recipients have.

If I could just add one small statement about the question of welfare being so attractive which you have raised, and I think one of the other people raised.

When you look at the statistics, the average welfare benefit today is one-third less than the poverty level established by the Government. So it is not that attractive a position to be in. I should say it is $100 less. I'm mixing up my statistics. It's $100 less for a family of four than the poverty level, and one-third less than it was in 1970. So in 15 years' time the benefit level has gone down, and it still hasn't reached the poverty level.

Representative LUNGREN. What is the amount that you are talking about? Does that include noncash benefits? Is that the total amount that they receive?

Mr. SKLAR. That includes only AFDC benefits.

Representative LUNGREN. That's not really a fair assessment, is it? I don't mean it in a pejorative sense. What I am suggesting is, if I am trying to figure out how I feed my family and so forth, I'm not only going to count the cash payments I get, I'm certainly going to count the food stamps and other things that I am entitled to.

Mr. SKLAR. Sure. You do have to add those things in.

Representative LUNGREN. I just wonder what the ratio is there.

Mr. SKLAR. I haven't seen any figures where it is pulled together, but I would suspect that it still is pretty close or still below the poverty level. Because most of the people receiving welfare do not participate in a whole wide range of programs. They are relatively limited in what they are able to do.

Representative LUNGREN. I don't want to get into a total colloquy with you. I would like to invite the other members of the panel. Does anybody disagree with the essential point that I think a number of you have made, that there should be an obligation component in any welfare system, regardless of what you call it or how you implement it, and that it is a necessary element to any such program?

Ms. BLUM. I would like to comment. For years I really was quite opposed to mandatory requirements based on the fact that there didn't seem to be a decent capacity in the system to provide relevant and appropriate responses to client needs.

One of the things that we forget is these different subgroups in the welfare population. We have the refugees. We have many separated and divorced women coming into the system, getting off rather quickly, but they rely on the system and they need only modest support. But we also have some people in the ssytem who can't read or write or do arithmetic.

I have become interested in the fact that the clients themselves, the participants, seemed not to object to mandatory requirements if the program structure was strong.

I have become even more interested, as a former administrator, in the fact that there is clarity in the minds of staff about what it is they are supposed to be doing. There has been confusion compounded out there for decades. Staff haven't understood what they are supposed to do: Are they supposed to help these women work or are they supposed to keep the women at home with the children? Are they supposed to reduce the caseload or are they to get the check out? Some of those things are very competing.

This work effort seems to have brought some integrity into the system, which is a really interesting thing to observe.

Mr. MEAD. I wanted to comment on the presumption that the poor are like the rest of us. I think that is often true for those who are temporarily poor or temporarily dependent. But a feature of the long-term poor and the long-term dependent, which is the group we are mainly concerned about, is that they seem to be remarkably unresponsive to the economic incentives that other people respond to. I think it is almost true to say that if they were

responsive to economic incentives they wouldn't be poor. Why they, in fact, do not take advantage of the opportunities that are apparently available in the economy is a mystery. No one really understands this. I certainly don't claim to understand it. So, what we have to do is find a way to mobilize this group so they, in fact, participate and then it will be possible to think of them in the same way as other workers.

I think we have to admit that an economic person who goes out and makes the best use of opportunities is in fact a fairly highly socialized person, and the group we're talking about here appears to be semisocialized. They have a commitment to mainstream values but they don't, in fact, act on them with the same consistency as other people. That gap is the mystery in dealing with this group.

Representative LUNGREN. Taking up what Ms. Blum has said, maybe they participated in a system that had its signals crossed. If there is a confusion in the signals as to whether or not you should strive for work, whether or not there is an obligation to do that, whether or not there is any benefit there, I suspect in that sense they are like everybody else in that the signals that they are getting are so mixed and so essentially confused that there is not one single clear signal that is getting to them.

Mr. MEAD. I would agree with that. The basic fact about these people is that they live under authority; they live under the authority of the welfare department, and they need to take direction from that authority because they themselves don't have it as clearly in mind as many other people as to what they are supposed to do. That's the reason why they respond favorably to the work requirements, because that fills a need that they have.

People who speak for the poor object to work requirements because they are among the better socialized population which already is motivated sufficiently to work without anybody telling them what to do and they project their own psychology on the long-term poor. They say, "I would hate to be told how to work. They, therefore, must dislike it too." But the recipients are different enough from the rest so that they in fact accept it and it fills a need that they have.

Let me speak to one more point made by Mr. Sklar, that if the jobs pay the minimum wage, then one doesn't get out of poverty or off welfare, by working. The first response is not for long. If you work for very long at minimum wage you will in fact be earning more than poverty. It's not likely you are going to be at the minimum wage for a long time.

The other thing to say is that no one is proposing that workfare is somehow a substitute for welfare in the sense that anyone working but still needy, would be thrown off the rolls. Some people who oppose work requirements fall between two stools. They say the poor can't work enough to get off welfare. Therefore, they shouldn't work at all. But the point of workfare is to require that functioning obligation where recipients are now, as dependents, even if they must remain dependent to a certain extent. To achieve some degree of functioning is frankly more important than getting off welfare. We hope they get off welfare too. But it is more important to have some activity now.

Representative LUNGREN. That's what I was going to ask. Is that another point that you make, that the great probability is that the largest number will be able to achieve an independent status off welfare if this component is involved now?

Mr. MEAD. I would say that. But I also would not say that the main goal of workfare is to get them off the rolls. I think that's the secondary goal. The main goal is to have them functioning in essential ways where they are, as dependents, and then if they get off the rolls, that's fine, that's great.

Representative LUNGREN. I take it, from your analysis, that this goes two ways. If they are functioning in a work related aspect, even though receiving welfare benefits, that gives them a sense of socialization, which gives them the opportunity. It also gives the rest of the society a sense that what they are doing is valuable and has merit and will be supported by the rest of society.

Mr. MEAD. This speaks to the main public concern. If we look at this politically and bring into the picture the public as a whole, not simply the poverty population, the main objection that ordinary voters and citizens have about welfare is not the cost. The cost, among other things, is very low compared to the social insurance programs. It's not the cost. It's the abuses they perceive to be involved in the system, fraud and abuse, nonpayment of child support, and especially nonwork. If more of the poor were working the major public upset with welfare would be alleviated. It would then be possible to view this group as more deserving and there would be a strong constituency for higher welfare benefits.

Representative LUNGREN. Mr. Sklar, do you want to respond?

Mr. SKLAR. There is one word that I think is the answer to Larry Mead's question about what the mystery is as to why the different groups operate differently—though I'm not sure it's a matter of operating differently as much as the fact that they experience different impacts and different results—it is the one word "employability."

You mentioned refugees. People who have serious academic deficiencies, who cannot read and write to the satisfaction of employers, can't get anything but minimum wage jobs, if they can get even that. I disagree with Larry Mead. At best, they will be continuing with those minimum dead-end wage jobs.

Representative LUNGREN. Let me say two things. What you are saying is that you need a training component in any such program. But I think the second thing that some folks are trying to suggest here is that even if you provide the training component, you must also provide an incentive for people to use the training component or they won't.

It may be too easy an analogy, but I've seen football teams, from my own experience at Notre Dame. We've had more talent on that team in the last 2 years than we've ever had before, and they failed miserably. We got a new guy who has come in there and the first thing he did was make it very clear that he is going to have discipline, and the result will be very strong motivation. Lew Holtz makes a lot of jokes on the outside but you get on the inside and he's very tough. I daresay that the same group of athletes are going to perform quite differently this year than they did in past years.

When I deal with the area of crime, a whole different subject, I think we make a major mistake when we think criminals are different than the rest of society. I think they respond to incentives and disincentives. They make intuitive judgments based on their own experience, and if they can get away with something, they will get away with it, because in their own mind they have determined that they get more benefits from it. I think we make a big mistake when we say they may respond to deterrence and if they don't respond to deterrence they are different. The question is, What is the proper deterrent and how do you make it effective so that they will in fact calculate it?

Even though you have certain categories and some are very hardcore for a number of different reasons and may never be able to get a job, I just find it hard to believe that most people presently on welfare are essentially different than the rest of us and don't respond to a program that would be formulated for the purpose of establishing the same sort of value structures that the rest of us have. In a sense, discipline is a challenge; in a sense, an obligation is a challenge; and I find that people respond to challenges that are at least required of them. My own feeling is we have not required that of people.

Mr. SKLAR. That is the key question. Should we impose this system through a method of discouragement or disincentive, the word you used?

The director of the South Carolina Employment Training Program was testifying yesterday at the House Ways and Means Committee, and he asid, very eloquently, "I lived in a housing project when I was growing up in South Carolina. I didn't know anybody there that didn't want to get out of that housing project." It wasn't a matter of motivation; it was a matter of opportunity.

I would suggest very strongly that if the system that you are going to organize puts the pressure on people to do it because they're going to be hurt, because they are going to be put into an ineffective program like workfare, it's not going to work any better than the other things did. But if you do what Massachusetts CHOICES did and provide people a means of getting out of their circumstances and improving their circumstances, showing them that if they have the academic training, if they have the skill training, the other opportunities, that it's going to make a difference for them, it's going to work. Massachusetts has more people than they can deal with and it runs a voluntary system, not a mandatory one.

Representative LUNGREN. Let me ask Mr. Gallaway to respond. You criticized San Diego and gave Massachusetts as a model. Mr. Gallaway suggests that Massachusetts is different.

Mr. GALLAWAY. I have several comments. As to Massachusetts, the results are quite different under one approach than under the other approach, and all the great gains that Governor Dukakis had in that program for the most part occurred during his predecessor's administration.

You can selectively choose end points when you evaluate gains. This is an excellent example and a great public relations job. The realities, though, are quite different. Roughly there was a 30-percent fall in the welfare rolls in the King administration followed by

a comparable period under Dukakis of perhaps an additional 1 or 2 percent decline. There have been great numbers of job placements. It simply becomes too attractive: If you are going to find a job and if you have any sense at all, you get on welfare first so you can capture the package of benefits before you take the job.

I would like to insert a quote from Walter Wiliams about the poor. I take the view that they are more like us than different from us. As Walter put it in one of his columns, "The poor may be poor, but they're not stupid." This is the essential point.

As long as you try to define a work alternative—and this is a major point to make—that those on welfare will find totally preferable to being on welfare, you are defining them out of entry level positions and out of the normal way in which people function in the economy.

I can give you, for example, a little bit of anecdotal evidence. You take a woman in Detroit with a package of welfare benefits in the $11,000 to $12,000 a year range, including in-kind benefits, and you consider the cost of work effort, the tax burdens that she would bear if she were working, and she may well need an $8-an-hour, full-time job in order for the work alternative to be preferable to the welfare alternative.

Mr. SKLAR. That's grossly exaggerated. Diana Pierce, who has done a great deal of work on the issue of feminization of poverty, just gave me the totals.

Mr. GALLAWAY. What do you mean, it's grossly exaggerated?

Mr. SKLAR. Let me explain. This is using the District of Columbia statistics, and the District of Columbia has a pretty liberal AFDC payment level. She points out that a total of $8,000—it's actually a little bit less than that—for both AFDC and food stamps is what a family of a single parent and three children would receive in the District of Columbia, maximum, whereas the poverty line for that same family would be $10,000.

Mr. GALLAWAY. Do you have Medicaid included?

Mr. SKLAR. It's not, but Medicaid would obviously vary depending on the health status of those people.

Mr. GALLAWAY. Don't dismiss Medicaid as a factor. I don't know how many people I've encountered in talk shows in the past year, people who call in and espouse the line that you're talking about. They say they want off welfare, but when they get to the bottom line and they start describing all the benefits that they would lose if they weren't there, they find they can't afford to leave the welfare rolls. Are we going to adopt a philosophy that there are entry level jobs in the society that are fine for some people to occupy as long as they are foolish enough to do it and not go the welfare route?

Mr. SKLAR. Or is it the other way?

Mr. GALLAWAY. And then say that the only suitable work alternative for these people is a job that is better than the jobs that many people are taking in order to acquire that critical experience?

One of the saddest commentaries I have ever seen on the welfare system is a letter to the editor by a young woman in Detroit, MI, who, after reading a description of the circumstances of some people in similar positions as her, commented to the effect that she

was glad that these people were doing so well. In a very low-key fashion she explained her situation. She was going the conventional route, and by any reasonable set of standards she was foolish for not going the welfare route.

Representative LUNGREN. Let me interject one thing. One of the things we have discovered with the refugee population in southern California is that one of the biggest concerns they have is the health benefits. That to them is more valuable even when they calculate everything else in. We even tried to make an exception under the law—in fact, it happens to be my amendment—in which, at least for a targeted group of refugees, those with long-term difficulty in welfare dependence could be granted a waiver by the Secretary of HHS with respect to their participation in health benefits versus the others. So in that regard we have found that to be a tremendous problem.

Some say, well, the easiest thing to do is to make everybody eligible for that. The problem is that you have people, as Mr. Gallaway says, that are out there working and making a buck and trying to make those payments who find themselves not eligible.

Mr. SKLAR. The alternative is to let single-parent women with young children, who do not have any medical insurance coverage and no means to pay the health costs, to deal with their children's illnesses without help.

Mr. SWOAP. If I might interject. I think you have in the space of about 2½ hours been successful in zeroing in on what is one of the major, important conceptual debates on the entire question of welfare reform today, and that is the question of proper incentives and whether or not expectation and obligation should be included.

As you can tell from what I and some of the others have indicated, we feel that it should be. With all due respect to Mr. Sklar, my own feeling is that in going through the whole legislative process in Sacramento in the last 2 years, the GAIN legislation consideration, there would be what I simply summarize as an illogical set of liberal premises and a logical set of liberal premises.

The illogical set of liberal premises is, I think, the one that is represented by such words, as "punitive" and "demeaning" and "discouraging," and things of that sort. Our experiences and our findings are that it is not at all punitive and it is not at all demeaning nor discouraging to build in this level of expectation.

The logical set of liberal elements that I think are important to build in are the ones that you see in the GAIN legislation, which are opportunities for choice on the part of the participant: Once mandatory registration and mandatory inclusion in the program has occurred, a well developed array of training slots and training opportunities, plus child care.

But again, those to me fall into the rational or logical category and, as Barbara Blum has suggested, it is enormously important to recognize that there have been fundamental changes in the society of today versus the society of the 1930's with regard to such questions as do we or do we not regard it as appropriate that women, even single women with children, work, and the fact is, as she has testified, that the percentage of such women who are working today has increased enormously.

So I think it is very important to recognize the distinction between those two things.

The final point that I would make in regard to what Morton S. Sklar has tesified to this morning is the fact that the kind of voluntary incentives that he keeps stressing simply do not work and have not worked in the AFDC program.

You are very familiar, I know, with the 30⅓ and the whole work incentive approach that was adopted in the past, where the first $30 and the remaining one-third of earned income were exempt from consideration as outside income. What happened with regard to that is that in fact it was a bommerang. People correctly found that they could stay on welfare at higher and higher income levels. If they had the first $30 and one-third of the remainder exempt as outside income, as their income rose they would stay on welfare and would continue to get all of the ancillary benefits that were described. That is one of the reasons in the 1981 legislation we put in the cap of 150 percent of need and we said at that point you're booted out of the nest, if you will, you are on your own, you become independent.

The kinds of voluntary incentives that have been urged, at least by Mr. Sklar this morning, simply have proven themselves not to work, and that is why we feel that the mandatory expectation is critical.

Ms. BLUM. Could I comment on that? I will be very, very brief. We so often seem to want to determine what people will or will not do. The only experiment that I know in which this question of what women would do if they went into very low wage jobs was addressed, was the supported work experiment which MDRC did at the end of the 1970's. In that experiment women actually did go into very low paying jobs and stayed in them with little positive difference in income, in fact, sometimes they have incomes below the benefits from welfare. The data are quite sound. I just wish it would be used to a greater extent.

Representative LUNGREN. In your report, Ms. Blum, you indicate, and you so stated here, that most of the participants surveyed thought that the work requirement was fair. I am interested in knowing if they had any feeling about the fact that it wasn't an obligation on all; that is, that there were exceptions for people who had child responsibilities, lack of transportation, et cetera. Did you pick up anything there?

Ms. BLUM. Our agency steers away from anecdotal evidence, but there were a number of controls who complained that they weren't in the program, which has to be a surprise, because work requirements were mandated for the experimentals, and people were assigned by chance to control groups.

Representative LUNGREN. Mr. Mead.

Mr. MEAD. I just want to comment on both Mr. Gallaway and Mr. Sklar saying that obligation is not necessary. They are both saying that incentives are enough.

In the case of Mr. Gallaway, he is emphasizing the negative incentives that would follow from restricting the welfare benefits and forcing people to cope by themselves.

Mr. Sklar endorses incentives that would follow from greater opportunity, particularly greater training.

Both of those approaches presume again that the long-term poor are like everyone else. But it seems to me, and we have just heard an example of it, that their behavior is in some way mysterious. They seem to be willing to work at jobs even if they are less rewarding if they have heard from an authoritative source that this is what they are supposed to do. They respond to that.

In the case of training, we find that the response is much weaker. Training programs have some impact, but it is usually very limited, and we can't expect the long-term poor to go to work simply from that. In fact, studies have shown that the employability of the mother in AFDC is almost unrelated to whether she gets off welfare by working. In other words, the unskilled mothers, people who appear to be unskilled, are just as likely to go to work and get off welfare that way as the better skilled. That wouldn't be the case if training were critical. Training doesn't have the impact that we would hope and it isn't related to their getting off welfare by working.

Representative LUNGREN. When you say that, I wonder whether or not California has come up with a pretty good program that has a series of decision points that start, as I understand it, at the beginning with a mandatory job search.

Mr. MEAD. The reason for the outside job search is that the training is more costly and apparently has only marginal effect in most cases, so it is rational to start with the job search component.

Representative LUNGREN. Doesn't it also send the right message to the group?

Mr. MEAD. Oh, yes.

Representative LUNGREN. Isn't it consistent with your analysis that if you put the job search up front, you have those people who, for whatever reason, if given an indication that work is expected, will go and find that work? Then you don't have to worry about their training. But others, even some who may want to work but cannot find work, then will get the training and have the opportunity to find work.

Mr. MEAD. Training is often valuable. I am not saying it's not. I am just saying that in the aggregate it has less effect than obligation.

Representative LUNGREN. But you would not disagree with the sequencing that is built into the California law.

Mr. MEAD. No. That's the way to do it.

Representative LUNGREN. How about you, Mr. Sklar?

Mr. SKLAR. I would not disagree with the sequencing situation at all, but I would point out to you a couple of things about the California program.

I think the most important aspect of it, is that before any participant is assigned any work the first thing that has to happen is that their academic literacy is tested, and anybody who lacks sufficient literacy to deal with English and math needs, before anything else happens, is automatically provided with academic remediation. In other words, California makes a commitment that academic basic skill sufficiency the first priority for welfare recipients.

Representative LUNGREN. Is that true with respect to English proficiency?

Mr. SWOAP. Yes, it is true with regard to the ability to function in the English language, and we will provide English as a second language training at the outset. But the reason why that doesn't go as far as Mr. Sklar would say is that that is a relatively limited group of the constituency. We have the refugee group, of course. But in terms of the percentage of individuals who will participate in the GAIN Program, that is a relatively small group that is siphoned off at the outset.

Representative LUNGREN. Is that because you made a judgment that in fact a lack of English proficiency is a definite difficulty in persuing jobs in the private sector?

Mr SWOAP. Yes.

Mr. SKLAR. And it's not just English proficiency.

Representative LUNGREN. I wish Congress would listen to that in terms of the bilingual program. We seem to be sending very discordant signals there. I think you and I both know when we were dealing with the refugee thing one of the crystal clear conclusions we came to was that lack of English proficiency seemed to be the number one prohibiting factor for members of the refugee populations in finding jobs. If you have someone from Southeast Asia who has a Ph.D., that person has less of a chance of getting a job in southern California than someone with barely a high school education who happens to know English, and yet we seem to be ignoring that in our conversations in other things.

Mr. GALLAWAY. Incidentally, along that same line, there is a lot of historical research that supports your point. With respect to what happened with immigrant populations much earlier in American experience, that research demonstrates the critical significance of facility with English.

Representative LUNGREN. I know it's a subject that we are not dealing with here, but it just strikes me that we are doing a disservice to folks by giving them the false hope that somehow they can participate in the economic well-being of the United States, generally speaking, if they don't know English. Of course, we have some areas of southern California where we have Spanish language stations and communities and everything else.

Mr. MEAD. I think you are right about English, and also about literacy, but very little else in the training world can be presented really as an alternative to work.

The danger that WIN ran into in its early years, and which I think we might well repeat in places like Massachusetts, is that they in effect substituted training for work. They catered to the career ambitions of low-skilled people, that they could somehow qualify for middle-class high-paying jobs. They go into training in order to do this, and this, of course, is more acceptable than the low-wage jobs, but they don't, in fact, get the better jobs because of a lack of more fundamental skills. We end up with an illusion.

Although training is an important part of the process, it should not be up front. There is a danger that it will be substituted for a serious work obligation, become a substitute for the obligation.

Representative LUNGREN. Ms. Blum, it almost sounds like the problem we have with career students. I guess every parent faces that with a college student at some point in time.

Ms. Blum, how does the structure of the GAIN Program in California comport with the findings of your organization?

Ms. BLUM. I think that the job search at the front end very much reflects some positive findings from the San Diego program. The targeting that Mr. Swoap spoke of is really the heart of the matter. We do have limited resources and we have to decide how to use them appropriately. The GAIN approach very much attempts to put the greatest investment of funds where they are most needed. We were very pleased at MDRC to see the model evolve. We are going to have a chance to evaluate it, and that is exciting for us, because it is a new generation program.

Representative LUNGREN. You mentioned before that you surveyed the San Diego experience but indicated that it doesn't have total applicability. Maybe I shouldn't put words in your mouth. It doesn't deal with the whole universe of people on welfare. If I take Mr. Sklar's statement correctly, the San Diego experience is somewhat of an aberration and you have to be very cautious about taking lessons from it.

Ms. BLUM. I wouldn't be cautious, because I think that it is probably as large an experiment and as solid an experiment as we have anywhere in this country. I think we have to understand what evidence we have. No Federal money was available to MDRC to do this experiment. We had foundation money which was matched by States. Therefore, we were evaluating on a large scale, whatever the State wanted to do, and for one reason or another in San Diego there was an interest in looking at applicants rather than recipients. It now seems so long ago that I can't remember what the rationale for this was, but San Diego was interested in looking at applicants. That's important, because, after all, if you can cut off the flow at the front end of welfare you are better able to deal with whatever there is already in your caseload.

Certainly that can be applicable in lots of different places. San Diego does tend to have a somewhat less disadvantaged population than many of the other places that we are evaluating, like Chicago and Baltimore. Nevertheless, there are other localities in the country which have a fairly highly educated population; what we have to do is be clever enough to understand where these findings are applicable and where they are not applicable.

Representative LUNGREN. Mr. Sklar, could you articulate your specific criticism of using San Diego as a model? I would like to have Mr. Swoap respond to it. I would just like to be able to find out the gist of the disagreement, if there is one.

Mr. SKLAR. If I may, could we add one other element to that, because we talked about the health care as being so important, and one thing that California's GAIN Program does that is so valuable and might be a good model on the health issue is that it makes the continuation of health care possible for 1 year after participation in the program.

On the specific question of San Diego, the difficulty with San Diego was that it was a smaller size population, and MDRC has cautioned about what happens when you take a small sample like that and try to put it on the entire population. It would be too difficult to say that that would happen with everyone.

Representative LUNGREN. I am trying to find out what you mean by small. Are you talking about the welfare program in San Diego is small or the number of people?

Mr. SKLAR. The number that participated in the MDRC study was only a small percentage of the total welfare population, and MDRC cautioned about saying whether expansion of that into a total coverage program would produce the same kind of benefits.

The other element of it was the point that Barbara Blum just mentioned, which is the fact that the population was less disadvantaged, and so their need level was not as great as welfare populations in some of the other sites and some of the other jurisdictions that a broader work requirement would apply to.

Mr. GALLAWAY. A minor statistical note. If the population that is sampled is random, the percentage of the population that is in the group is irrelevant. It is the absolute size that is important for statistical purposes.

Mr. MEAD. I think a more important reason why the MDRC results in San Diego are perhaps overoptimistic for the Nation is that in San Diego you have a long tradition in welfare work that predates the current workfare program.

It is difficult to develop quickly the administrative resolve and routines that allow a work requirement to be implemented credibly. It is not an accident that it's in a place like San Diego and West Virginia that we see the highest participation rates, because those are areas where there is a longstanding commitment predating the 1981 reforms.

So we could not expect to see the very high participation rates that San Diego achieves on a national basis, at least not quickly. That is why I would advocate a target of 50 percent rather than the higher levels attained in San Diego. But this also shows the need to start building up the administrative system which will allow us to progress on a national scale.

Representative LUNGREN. I understand what you are saying. It just strikes me if there is one area of the country where we have the presence in large numbers of illegal aliens it is San Diego, and many are gainfully employed, or at least it seems to me that that is apparent from having been down there and studied the issue. I wonder if that in some cases makes it more difficult for job entry, because you have jobs that are taken at a higher percentage in San Diego than you would have in Chicago or someplace else. I wonder if that variable is considered.

Mr. MEAD. In an area like San Diego, the large percentage of illegals may start to have a negative effect on the labor market for the welfare population, but as a rule the studies of this question have not shown clearly that illegal immigration is a problem.

Representative LUNGREN. It all depends on whose studies you have read, the Urban Institute, which says zero, the study at Rice, which says 60 percent, the Labor Department study, which says 20 to 40 percent, and then there is somebody in between. I take the middle number because it seems to be the safest these days. I don't believe the Urban Institute, that there is zero. That defies common sense and initial observation on my own part.

Ms. Blum and Mr. Swoap, I wonder if you would respond to the question?

Ms. BLUM. I want very much to emphasize once again the significant size of the sample in the experiment in San Diego.

Representative LUNGREN. The reason I bring this up is that San Diego's experience has been used by those who support workfare as evidence of the very great probability that it will work, and if, in fact, the study is something so different than other experiences, then I would like to know about that.

Ms. BLUM. We will, of course, have more evidence when we have completed our research on Illinois. Illinois has a very similar program to San Diego. Certainly the population there is much more disadvantaged, and there we are looking at recipients as well as applicants.

I think the jury is out on the final figures. But don't forget, San Diego had a very poor economy when we began this experiment. That economy improved and as the economy improved the applicants became more disadvantaged. So our second cohort in San Diego, that seemed to respond well to the workfare actually was a more disadvantaged group of applicants; all of that has to be teased out of the data that we have. We are hoping that we can keep track of some of those findings over time, and then we will know more.

But I do think that when we have the Chicago findings in—which will be some time from now—we will have a much firmer understanding of what workfare does or doesn't do.

Mr. SWOAP. I would echo very much what Barbara Blum has said. There is always the tendency to view with some skepticism what is offered as a magic solution or as a positive area.

The fact is what we have seen in San Diego, for the reasons that you have described, Congressman, the illegal alien structure, the fact that the economy was not nearly as healthy when it began as it is currently, the fact that even with that improving economy the applicants were disadvantaged in a sense over those that were outside the welfare system—all of those are reasons that lead me to conclude that the San Diego model is in fact a valid and constructive and positive experiment, if you will, to tell us what workfare can and can't do.

The other point, however, that I would make is this. Even if the jobs aren't there, even if it is a highly distressed, high unemployment area, even if it is the bleaker situation that we may find in some of the urban areas of the eastern seaboard, then in my judgment it is incumbent upon us as policymakers even more to offer workfare as an opportunity and as an element within the public assistance system. Because, as has been said here several times this morning, what you are doing is offering a rung on the ladder, a rung that has been missing on that ladder for so long for public assistance recipients, and to deny them that rung on the ladder is in fact to do, as I think you used the phrase, a direct disservice to the individuals in whom we are interested. That is why, in my own judgment and opinion, a very liberal assemblyman, Art Agnos from San Francisco, and a very liberal Democratic State senator from the black constituency in Los Angeles, Bill Greene, were very enthusiastic about the GAIN legislation, because they said it is no service to the people whom we represent to continue to consign

them to a second-class status and to an ongoing generation of dependency.

Representative LUNGREN. I know some members of the panel have to leave shortly. We may even be overstaying our time. But I would like to ask just a couple of questions.

Ms. Blum, in response to Mr. Mead's caution about the ability of other States to implement such a system I think you said the state of readiness in the system is good.

Ms. BLUM. I think we have a system that is ready in different ways in different places, but that basically you have Governors interested in this subject. We can all remember when Governors wouldn't mention the subject of work and welfare publicly.

We have human service administrators who have gone through the 1960's with the burgeoning caseloads, the 1970's with the development of strong management techniques, and now you have, I think, the best cadre of human service administrators we have had, and they are interested programmatically in doing something to change the lives of the people that we are talking about today.

You have human services staff out there who have been involved with work programs who are feeling good about what they are doing for the first time in a long time.

One cannot say that a State like Arkansas is ready like San Diego is to take on a complicated program such as GAIN, but with sophisticated targeting and incentives one could begin to get training into States like Arkansas. There is a real readiness in the Southern States as well. We must, however, recognize they are not going to have the resources that California or Massachusetts has to devote.

It seems to me that nationally we have to find a way to bring these different localities along so that they have the capacity to operate programs. It's a capacity challenge.

Mr. MEAD. I think the proper response to the implementation problem is an incremental strategy whereby we would achieve a serious workfare requirement over time. The key to that, I think, is a combination of stronger fiscal sanctions from the Federal level plus appropriate support of an administrative kind, and also a financial kind.

The one thing that Washington must do is raise the share of recipients with whom the States have to work actively from 15 percent up to some higher figure. I would recommend 30 percent and then incremental increases. On that basis, I think you can achieve a situation over time where work becomes the norm for the employable on welfare rather than the exception. That should be the way to go. But it can't be done overnight, it has to be done allowing local variation.

One nice thing about the administrator's proposal is they have shifted since 1981 from talking about straight out workfare to talking about a participation level. That's exactly the way to go, I think. It shouldn't be Washington's job to tell States how to do it in detail, but we must demand a threshold level for the key variable, which is indeed participation.

Representative LUNGREN. I also find it interesting that you believe we ought to be aware of the possibility that it will cost more

in the short run, even though California has costed it out and believe that they will be able to save money in the short run.

Mr. MEAD. The reason it is hard to estimate the cost is that it depends very much on the level of voluntary compliance. If, in fact, a workfare obligation is persuasively implemented, then many of the employable recipients will go out and work in the private sector and they will either not come on welfare or they will be on welfare only for supplementation. If, at the other extreme, you have a situation where everyone is placed only in a workfare public sector job, the cost would be enormous, as in CETA.

So the cost is going to fall in the middle someplace, and where it falls is very much a function of how the recipients respond to this new requirement. I don't think we can know, and that is another reason to approach it incrementally.

Representative LUNGREN. I understand. I would just say that the administration in California has a pretty good record on anticipating costs and benefits even against some pretty tough political odds, and I hope they are going to be successful.

Mr. GALLAWAY. One brief comment with respect to one of Professor Mead's earlier remarks. There are different ways of imposing discipline and sanctions. He is talking about imposing sanctions by Government agencies. What I am suggesting is that one way to develop the sense of obligation is not by making it mandated by Government, but that it be developed as a natural part of people's decisionmaking processes. We don't encourage the sense of work obligation by structuring the incentives along Mr. Sklar's line.

Representative LUNGREN. I had a chuckle when you said there are different ways of imposing sanctions and discipline. I happened to go to Catholic school and the nuns certainly knew how to impose both of those very, very well.

Mr. MEAD. I think the nuns are a tremendous image of what, in fact, the effective work program does. The effective programs are not punitive; they are demanding and positive, just as nuns are. It's a very good image. I actually use that in my book.

Representative LUNGREN. I know. I always thought they were positive when they were cracking my knuckles.

Mr. SKLAR. I think what David Swoap said earlier ought to be mentioned again at the end of this hearing, and that is that you and your staff in a very short period of time have been able to produce probably the most insightful, complete, and interesting debate about these welfare-to-work issues than I have heard at any of the hearings that have taken place.

Representative LUNGREN. I appreciate that. One of the things I try to do with panels is to get people together and not just have them give their statement and leave. I like to have the panel here. The problem with the other approach is that I have to try and remember what you said and then try and figure out the questions you would have asked one another had you been here. It's easier on me to keep you here and have you ask those questions of one another.

I want to thank you all for participating. I think it has been very beneficial. At least it has been for me. This is an issue that is not going to go away. It is an issue that demands attention and consid-

eration, and I think you have helped us in that regard. So I thank all of you very much.

The subcommittee stands adjourned.

[Whereupon, at 12:20 p.m., the subcommittee adjourned, subject to the call of the Chair.]

APPENDIX

STATEMENT OF HON. NORMAN D. SHUMWAY, A U.S. REPRESENTATIVE IN CONGRESS FROM THE 14TH CONGRESSIONAL DISTRICT OF THE STATE OF CALIFORNIA

Mr. Chairman:

I appreciate this opportunity to express some of my thoughts on the critical issue of welfare reform, and commend you for initiating this timely and needed forum.

Without question, the need for extensive and substantive welfare reform is long overdue. Far too many of the problems which plague welfare participants are a direct result of the welfare system, including increased teen-age pregnancies, crime, and drug abuse; the break-down of family units, the vast majority of which are headed by women; a lack of education; unemployment; and a debilitating dependency which extends, in some cases, into third and fourth generations. As with all plagues, these problems, if left unresolved, threaten to bring about the demise of not only the program and its government-"physician," but more importantly, its participants.

It is not my purpose to recommend any one proposal for reform. However, I am urging that one factor be considered above all else during the Committee's deliberation of welfare reform: that the goal of the welfare program be to bring people to a point of being able to care for themselves, and that while meeting basic needs, the equally important needs of self-respect and self-reliance be met as well.

It is tragic, but in our great zeal to help the needy of our nation, we have actually caused more harm than good. Millions of welfare recipients eat, but don't know how to feed themselves; they are clothed, but don't know how to clothe themselves; and they are sheltered, but don't know how to shelter themselves. This is because we have given benefits to fulfill the basic needs of nutrition, clothing, and shelter, but have neglected to assure that recipients' need for self-reliance has been fulfilled by requiring them to incur any obligations in return for benefits received. In keeping with the time-proven adage that "You can't get something for nothing," recipients have instead paid for

benefits with the loss of self-respect, self-reliance, and ultimately, their freedom. Additionally, family stability, employment and educational opportunities, etc. have been lost in this process of repression.

As amazing as it may seem, and in spite of the billions of dollars spent in the United States to feed, clothe, and shelter the needy, we have neglected to teach welfare recipients the fundamental truth that rights are inseparably connected with responsibilities, and that in the absence of either, freedom is lost. By extending benefits without requiring commensurate responsibilities, we have sent the incorrect message that it is the government -- not individuals and families -- that is responsible for citizens' care and well-being. Welfare beneficiaries have been led to believe that welfare is not a privilege -- i.e., a mainstay in time of great need -- but rather a right or entitlement.

The tragic result of the government's well-intended but misdirected efforts is the creation of a people -- a welfare "subclass" -- who confirm the fears of President Franklin Delano Roosevelt when he remarked in 1935 that "continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber....<It is> a narcotic, a subtle destroyer of the human spirit."

In conclusion, as the government struggles to provide for its own, the lesson must be taught that (1) everything comes with a price, and (2) the goverment will exact the price of freedom. I commend for your consideration the suggestion of a former U.S. ambassador to Mexico, J. Reuben Clark, who was well-acquainted with the ills of dependency, to create "a system under which the curse of idleness <is> done away with, the evils of a dole abolished, and independence, industry, thrift and self respect...once more established...." Thus, whatever policy recommendations are adopted by this Committee, I urge in the strongest terms that each center around the objective to help people help themselves. In my view, this is the only way the welfare program will succeed. And in the absence of such an approach, its failure is assured.